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ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

August 15, 2009

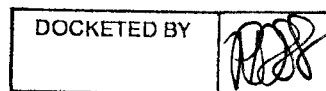
Arizona Corporation Commission

DOCKETED

AUG 14 2009

Via hand delivery

Commissioner Paul Newman
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007



Re: **Memorandum of Understanding with City of Eloy**
Docket Nos. SW-20494A-09-0016 and W-20495A-09-0016

Dear Commissioner Newman:

During the July 28, 2009 Open Meeting discussion of this docket, you requested additional information concerning the Memorandum of Understanding ("MOU") with the City of Eloy. Global Water Resources, LLC ("Global Parent") has also entered into MOUs with the Cities of Maricopa and Casa Grande, the Town of Buckeye and the Ak-Chin Indian Community. A complete set of agreements with Cities, Towns and Indian Communities is attached as follows (agreements with payments are marked with *):

<u>Entity</u>	<u>Type</u>	<u>Exhibit</u>	<u>Date</u>
City of Casa Grande *	MOU	A	19 Dec. 2005
City of Maricopa *	MOU	B	25 Dec. 2005
Ak-Chin Community	Letter Agreement	C	23 May 2006
City of Maricopa *	License Agreement	D	9 Nov. 2006
Town of Buckeye	MOU	E	2 Oct. 2007
Town of Buckeye	Agreement regarding Hassayampa Sub Basin	F	22 Oct. 2007
City of Eloy *	MOU	G	25 Aug. 2008

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Overview of MOUs

The common element in these agreements is a concern for water resource management and water conservation on a regional level. Global, Maricopa, Casa Grande, Buckeye, Eloy, and the Ak-Chin Community all believe that this can only be done through coordinated regional planning. For example, the Eloy MOU contains numerous provisions regarding water conservation. The Eloy MOU:

- Provides that Global and Eloy "will work together in promoting community and school water conservation programs." (Section 7)
- Acknowledges the "critical nature of reclaimed water" for water planning. (Section 8)
- Requires Global Water – Picacho Cove to "use reasonable best efforts to use and utilize reclaimed water in the region to the extent permissible... for all residential, commercial and industrial applications." (Section 8)
- Provides that Global and Eloy will "explore joint water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water." (Section 8)
- Encourages Eloy to "install dual plumbing in all future City owned buildings or facilities" served by Global Water – Picacho Cove. (Section 8)
- Requires Global to provide a water / wastewater "Plan for Growth" to Eloy each year. (Section 10)
- Requires Global to "explore... and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities." (Section 12)

Another common feature of these agreements is the exchange of information. All too often, cities and investor-owned utilities have a distant or even adversarial relationship. A contributing factor is often the lack of communication. These agreements all have provisions that require communication and the exchange of information between Global and the City, Town, or Indian Community. For example, the Eloy MOU requires:

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- Monthly meetings between Global and the City. (Section 1)
- Annual Report by Global to the City. (Section 2)
- Sharing Geographic Information System (GIS) information. (Section 13)
- Sharing emergency, operations, and rapid response plans. (Section 13)

The MOUs marked with an asterisk (*) contain a provision for Global to pay the relevant city a franchise fee of 2-3% of gross revenues, and to pay a one-time fee of \$100 (or \$50 in some circumstances) for new hook-ups. These specific MOUs also contain valuable provisions for Global (and its customers) such as access to public rights of way and expedited permit reviews. Those MOUs also contain provisions for the City to support Global CCN extensions, and for Global to support annexations into the City. (See e.g. Eloy MOU at Sections 14 and 16).

MOUs are public agreements fully disclosed to the Commission

These agreements are public agreements that have been previously disclosed to the Commission. The first MOUs were with the Cities of Maricopa and Casa Grande. These agreements were adopted in public city council meetings. After they were signed, Global Parent issued a press release (Exhibit H) and provided copies to Commission Staff. In addition, Global Parent briefed the Commissioners, their aides, and Commission Staff concerning the MOUs. These MOUs were also discussed in publicly-filed testimony on several occasions:

Witness	Testimony Type	Date	Docket No.	Pages
Trevor T. Hill	Direct	Jan. 26, 2007	06-0199 et al	20-22
Trevor T. Hill	Rebuttal	14 Feb. 2007	06-0199 et al	14-16
Trevor T. Hill	Direct	3 Aug. 2007	06-0200 et al	24-25
Trevor T. Hill	Supp. Direct	30 Nov. 2007	06-0200 et al	3-14
Trevor T. Hill	Direct	20 Feb. 2009	09-0077 et al	24-26
Jamie Moe	Direct	20 Feb. 2009	09-0077 et al	23-25

Likewise, the MOU with Eloy has never been a secret. During the original CC&N hearing for Global Water – Picacho Cove (i.e. the case before this docket), Global Parent's President Mr. Hill testified that Global Parent was discussing an MOU "in some detail" with Eloy. (Transcript, 20 December 2007 at p. 17, lines 6-11). The Commission's CC&N order also discussed the possibility of a MOU between Global

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Parent and the City of Eloy. (Decision No. 70312, April 24, 2008, page 7, lines 1-17). After extended negotiations, Global Parent and Eloy entered into a MOU on August 25, 2008. The MOU was approved at a public city council meeting. Shortly thereafter, Global Parent issued a press release announcing the MOU (Exhibit I).

Economic Development Group of Eloy.

A unique provision in the Eloy MOU requires Global Parent to make certain payments to the Economic Development Group of Eloy (EDGE). The payment is \$369,000, in 60 equal monthly payments of \$6,150. (Eloy MOU, Section 16). The monthly payments began in September 2008. It's important to note that the payments are off-set against future franchise fee payments. (Eloy MOU, Section 16).

EDGE is a non-profit corporation that works to promote economic development in Eloy. EDGE's articles of incorporation and bylaws are attached as Exhibit J. EDGE's website is <http://edgeaz.org/index.html>. EDGE's members and board of directors are listed on its website. Its members include other public service entities, including Electrical District No. 4, Red Rock Utilities (owned by Diamond Ventures), SRP, Allied Waste, and the Eloy Fire District. In addition, many other businesses and individuals are members.

As the list of members shows, it is very common for utilities and other businesses in a community to participate in economic development groups and activities for that community. Indeed, supporting the local economy is part of sound business planning. In this case, both the City of Eloy and Global believe that contributing to EDGE will provide long term benefits – to Global's customers and neighbors. These contributions are made by the parent company – not the utility, and demonstrate Global's continuing commitment to ensuring the vitality and sustainability of its service areas.

That commitment also animates Global's regional water planning efforts – efforts that have brought Global and the cities it serves together in a shared vision of sustainable water use, and that have already resulted in extraordinary reductions in groundwater use in areas where it has been put into effect.

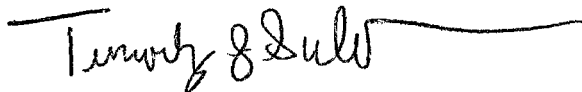
We hope that this information is helpful and informative regarding the MOUs, and the Eloy MOU in particular. If you have any questions, please free to give me a call at 602.256.6100 or Global's President, Trevor Hill, at 623.518.4168. In addition, you could also call Mayor Bryon K. Jackson of Eloy at 520.466.9201.

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Very truly yours,

ROSHKA DeWULF & PATTEN, PLC

A handwritten signature in black ink, appearing to read "Timothy J. Sabo", with a long horizontal flourish extending to the right.

Timothy J. Sabo
Attorneys for Global Water Resources, LLC

cc: Chairman Kristin K. Mayes
Commissioner Gary Pierce
Commissioner Sandra D. Kennedy
Commissioner Bob Stump
ACC Docket Control
Chief Administrative Law Judge Lyn Farmer
Mr. Steve Olea, Director, Utilities Division
Janice Alward, Esq., Chief Counsel
Gayle Cooper, CECD, Executive Director, Economic Development Group of Eloy
The Honorable Bryon K. Jackson, Mayor of Eloy (w/o attachments)

A

MEMORANDUM OF UNDERSTANDING

OFFICIAL
COPY

C. G. CONTRACT NO. 1305-9
200.00.14

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into as of December 19, 2005 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Casa Grande, a municipal corporation ("City").

RECITALS

WHEREAS Global is engaged in the business of providing water, wastewater and reclaimed water infrastructure services both inside and outside the jurisdictional boundaries of the City;

WHEREAS Global is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC ("PVU") (collectively "Utility Companies") and provides utility services through these entities;

WHEREAS SCW and PVU are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). SCW and PVU have been issued Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona;

WHEREAS the City is experiencing rapid growth, and in order to facilitate and manage further growth, the City wishes to strengthen its relationship with Global and its Utility Companies by working with them to generally improve the quality of Utility Services within the City;

WHEREAS the City intends to facilitate and manage further growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation enacted into law by the Arizona Legislature;

WHEREAS the City is in the process of annexing certain real property, as more fully described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the City's General Planning Area and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal

limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.

2. Annual Report to the City of Casa Grande. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st

each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

3. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next properly noticeable regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

4. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit A attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Casa Grande. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area; however, if any property located outside the City's jurisdictional limits becomes a part of the

City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

5. Financing Options. The City of Casa Grande and Global shall jointly explore potential financing options for Global to finance its projects within the City. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

6. Local Office. Global shall maintain an office at its Casa Grande headquarters facilities to be located at the Palo Verde South East Water Reclamation Campus or in an alternative location within Global's Planning Area until such time as sufficient customers are in place so as to warrant the office being in another location which will be established by Global with input from the City.

7. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

8. Reclaimed Water and Reclamation Projects. The parties acknowledge the City's interest in long term access to reclaimed water. The parties further acknowledge Global Water's leadership in the field of water reuse in the region and the critical nature of reclaimed water to the Global Water business and regional conservation plan. Accordingly, Global Water agrees to use reasonable best commercial efforts to use and utilize reclaimed water in the region to the extent permissible under existing and future Arizona Department of Environmental Quality ("ADEQ") policy for all residential, commercial and industrial applications within Global's service area. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. Additionally, for that water which cannot be beneficially used within the service area, Global will either recharge for its benefit that certain volume of water or make that certain volume of water available to the City for recharge on a long term basis. If financially feasible, as determined in the sole discretion of the City, the City will install dual plumbing in all future City owned buildings serviced by Global such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

9. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

10. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Casa Grande's planning area. The City staff shall

provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

11. Fee. *Effective January 1, 2006* Global shall pay a voluntary fee totaling One Hundred Dollars (\$100.00) for each residential home connecting to Global's water and wastewater system within the jurisdictions of the City, as amended from time to time, or outside the jurisdictions of the City but within Global's Planning Area (attached hereto as Exhibit A). To the extent a home connects to only one service, the fee shall be reduced to fifty dollars (\$50.00). The fee will assist the City in defraying administrative costs for water and wastewater services, including regional planning. The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

12. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

13. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

14. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

15. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans. Any such consultants shall report directly to the City and take direction only therefrom.

16. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Casa Grande as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Casa Grande General Plan.

17. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.
- e. If necessary, the franchise election provided for in Section 5 above.

18. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Casa Grande City Council.

19. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

20. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

21. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

22. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

23. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute, exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

24. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

25. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

26. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

27. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

28. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

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29. Time of Essence. Time is of the essence for all purposes of this MOU.

30. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF CASA GRANDE

GLOBAL WATER RESOURCES, LLC

By: _____

By: _____

Title: _____

Title: _____

Address: _____

Address: _____

50 E. Florence Blvd.
CASA GRANDE, AZ
85222

22601 N. 19TH AVE
PHOENIX, AZ, 85024

ATTEST:

By: _____

City Clerk

APPROVED AS TO FORM:

City Attorney

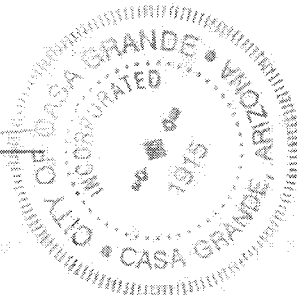
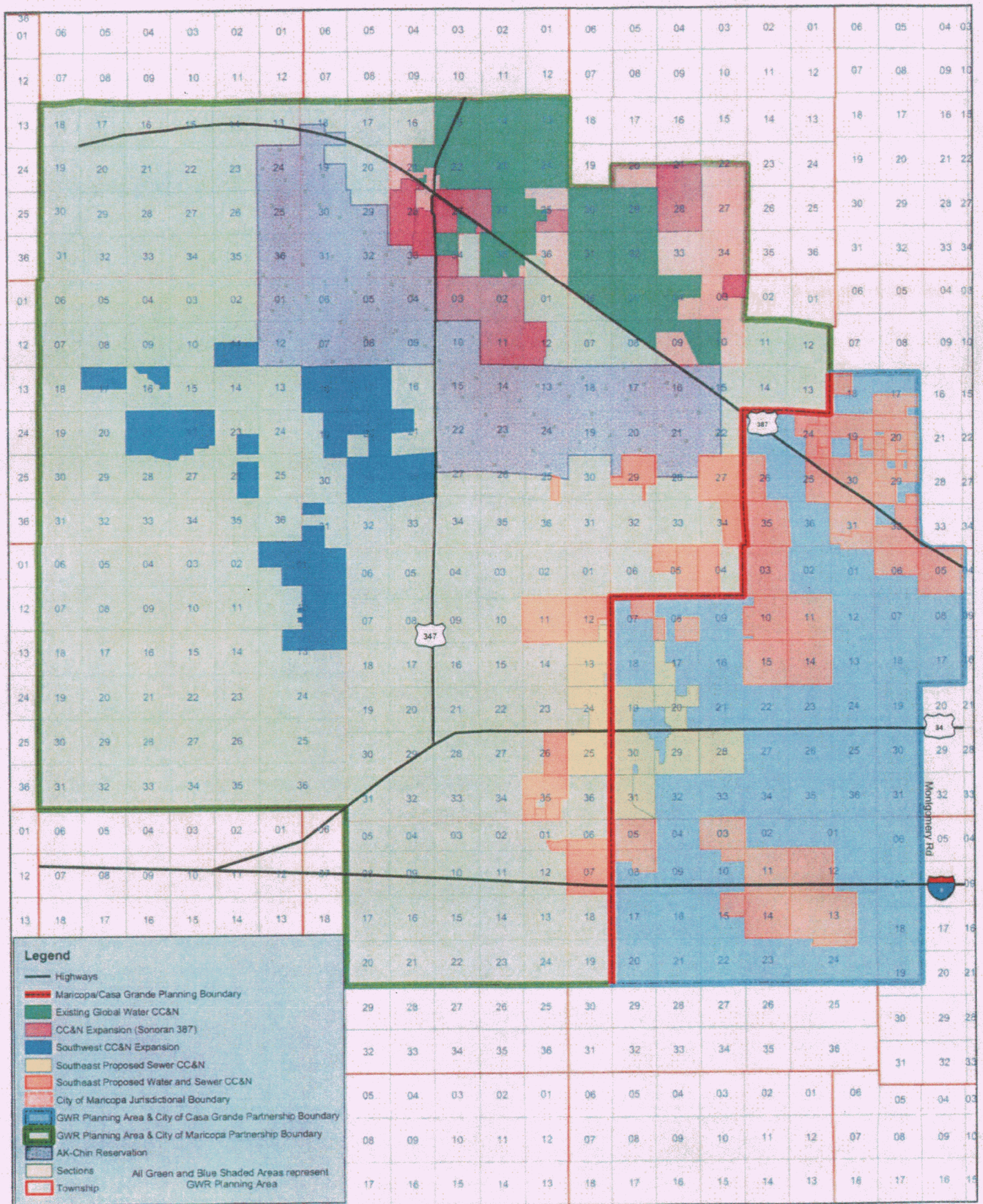


EXHIBIT A

Exhibit A - Subject Territories



B

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into as of December 6, 2005 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Maricopa, a municipal corporation ("City").

RECITALS

WHEREAS Global is engaged in the business of providing water, wastewater and reclaimed water infrastructure services both inside and outside the jurisdictional boundaries of the City;

WHEREAS Global is the owner of Santa Cruz Water Company, LLC ("SCW") and Palo Verde Utilities Company, LLC ("PVU") (collectively "Utility Companies") and provides utility services through these entities;

WHEREAS SCW and PVU are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). SCW and PVU have been issued Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively in designated geographic areas within the State of Arizona;

WHEREAS the City is experiencing rapid growth, and in order to facilitate and manage further growth, the City wishes to strengthen its relationship with Global and its Utility Companies by working with them to generally improve the quality of Utility Services within the City;

WHEREAS the City intends to facilitate and manage further growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation enacted into law by the Arizona Legislature;

WHEREAS the City is in the process of annexing certain real property, as more fully

described on Exhibit A hereto (the "Subject Territories") and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS the City is supportive of Global's pending application to the ACC for expansion of its CC&N for Utility Services in the areas formerly known as the 387 District Areas and the Parties acknowledge that the expansion of the CC&N over the Subject Territories may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS the Parties wish to form a Public Private Partnership which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS the Parties believe such a Public Private Partnership currently represents the most cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents;

WHEREAS the Parties believe that such a Public Private Partnership will result in the harmonization of rates within Global's service area, thereby mitigating customer confusion regarding rates and utility services;

WHEREAS the City seeks to increase its involvement in the water and wastewater business within its current municipal limits and its entire planning area;

WHEREAS the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur in areas that are outside current municipal limits but within its planning area;

WHEREAS the Parties acknowledge Global's commitment to the City to date, including

Global's material capital expenditures, its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the current rapid growth occurring within the City, and the anticipated continuing future growth;

WHEREAS the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented growth the City is currently experiencing;

WHEREAS the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Acquisition of the Assets of Sonoran Utilities Services LLC. The City of Maricopa will support the acquisition of the assets of Sonoran Utilities Services LLC by Global, the dissolution of the 387 Districts, and Global's submission to the ACC to acquire the CC&Ns required to provide the Utility Services in the areas formerly known as the 387 District Area, and in the future use of the assets and/or rights acquired from Sonoran with respect to those areas within Global's Planning Area as more particularly described on Exhibit C attached hereto and incorporated herein by this reference.

2. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Planning Director, and/or their designees. Global's representatives at these meeting shall normally be the President, the Chief Financial Officer and the Manager of Construction, or their designees. Other meetings with other representatives may be arranged as needed.

3. Annual Report to the City of Maricopa. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

4. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments to the Mayor and City Council for review and comment prior to submission to the ACC. Global shall allow the City thirty days for the Mayor and City Council to conduct a public hearing at the City's next regularly scheduled City Council meeting regarding the proposed rate and/or fee adjustment before submission to the ACC.

5. Operating/License Agreement and Fees. The parties shall enter into an operating/license agreement for utility services provided within the City's current and existing incorporated limits, and for utility services provided within Global's Planning Area (as set forth on Exhibit C attached hereto which relates to areas outside of the City's current and existing incorporated limits), with the understanding that the City will endeavor in good faith to promptly replace the operating/license agreement with a franchise agreement on or before October 15, 2007 in the event that the ACC Order provided for below has not been entered by April 14, 2006. Pursuant to the operating/license agreement, and subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) April 14, 2006, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Global to the City of Maricopa. If the ACC Order has not been entered by April 14, 2006 following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% as provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within Global's Planning Area;

however, if any property located outside the City's jurisdictional limits becomes a part of the City's jurisdictional limits through an annexation, then the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's cost) seeking approval of the fees provided for in this Section 5 and to grant Global a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or October 15, 2007. Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 5 are flow through fees to PVU and SCW and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense.

6. Financing Options. The City of Maricopa shall explore potential financing options for Global to finance its projects within the City. Global and City will commit to jointly funding the formation of the necessary structures required to access Industrial Development Authority finances. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

7. Local Office. Global shall maintain an office at the City of Maricopa's new City Hall primarily for customer service or in the alternative at its Maricopa headquarters facilities to be located at the Palo Verde Water Reclamation Campus. Global will make this decision with input from the City. If Global elects to maintain an office at the new City Hall, the Parties will enter into a separate lease agreement for that office.

8. Conservation Efforts. The City will assist Global in promoting community and school water conservation programs. Assistance may include distribution of educational materials and access to making presentations at City and school functions.

9. Reclamation Projects. The City and Global will explore water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. If financially feasible, as determined by the City, the City will install dual plumbing in all future City owned buildings such that reclaimed water can be used to flush toilets and serve other non-potable water demands, per Global's guidelines and State and Federal law. The City shall bear the cost of this infrastructure, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

10. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. Global will augment the City's economic development efforts with its corporate network wherever possible. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s).

11. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Maricopa's planning area. The City staff shall provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

12. Fee. *Effective January 1, 2006* Global shall pay a voluntary fee totaling Fifty Dollars (\$50.00) for each residential home connecting to Global's water and wastewater system within the jurisdictional limits of the City, as amended from time to time. The fee will assist the City in defraying administrative costs for water and wastewater services. The voluntary fee shall be increased to One Hundred Dollars (\$100.00) for all other areas within Global's Planning Area (attached hereto as Exhibit C, exclusive of the Ak-Chin Indian Reservation). The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

13. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal functions and events.

14. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative items. The City and Global shall share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

15. Annexation. Global shall support the annexation efforts of the City. Global shall support the City's efforts to manage and coordinate development in Global's Planning Areas. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

16. Permits. The City will endeavor to streamline permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to treat Global's permitting submissions as a priority and shall provide the highest priority review the City can produce in order to return permits promptly. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territories. If the City cannot provide a prompt review of

Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans.

17. Maricopa Domestic Water District. The City and Global will consider and cooperate in achieving operational integration efforts and the potential sale of water to Global by the Maricopa Domestic Water District.

18. Designated Management Area. The City and Global shall work together to facilitate the designation of the City of Maricopa as a Designated Management Agency to implement and enforce the portions of the area wide Water Quality Management Plan within its designated area, which will be the City's current planning area, as illustrated by the City of Maricopa General Plan.

19. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of SCW and PVU's proposed expansion of the CC&N over Global's Planning Area;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within Global's Planning Area;
- c. ACC approval of the operating/license agreement described in Section 5 and Section 19(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 5 above in the monthly consumptive billings of the Utility Companies.

e. If necessary, the franchise election provided for in Section 5 above.

20. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Maricopa City Council.

21. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

22. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

23. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

24. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona.

25. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute,

exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, et seq., and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

26. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

27. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

28. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

29. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

30. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when

personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

31. Time of Essence. Time is of the essence for all purposes of this MOU.

32. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF MARICOPA

GLOBAL WATER RESOURCES, LLC

By: 

By: 

Title: Mayor

Title: PRESIDENT

Address: _____

Address: 2201 N. 19TH AVE, Ste 210
PHOENIX, AZ 85027

ATTEST:

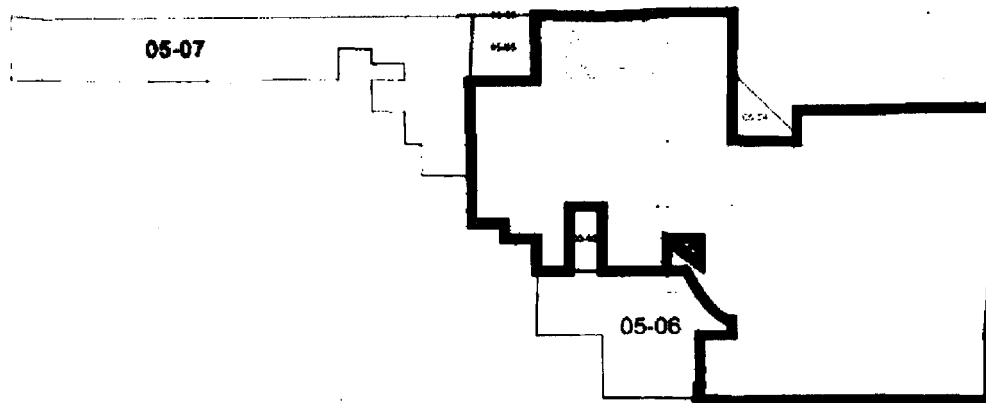
By: 

City Clerk

APPROVED AS TO FORM:


City Attorney

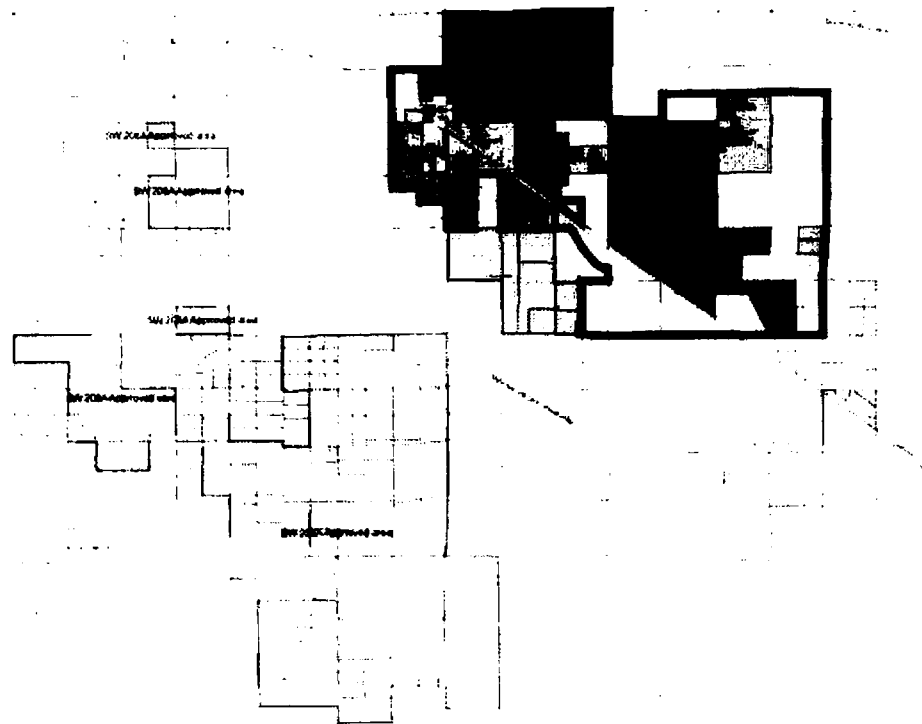
EXHIBIT A- SUBJECT TERRITORIES *(As defined in this MOU includes the current jurisdictional limits for the City of Maricopa and the Annexation Petitions that are currently pending with the City of Maricopa)*



Legend

	City Limits		Annex 05-07
	Gila River Reservation		Annex 05-04
	Maricopa (Ak-Chin) Reservation		Annex 05-05
			Annex 05-06

EXHIBIT B – GLOBAL SERVICE AREA



Legend





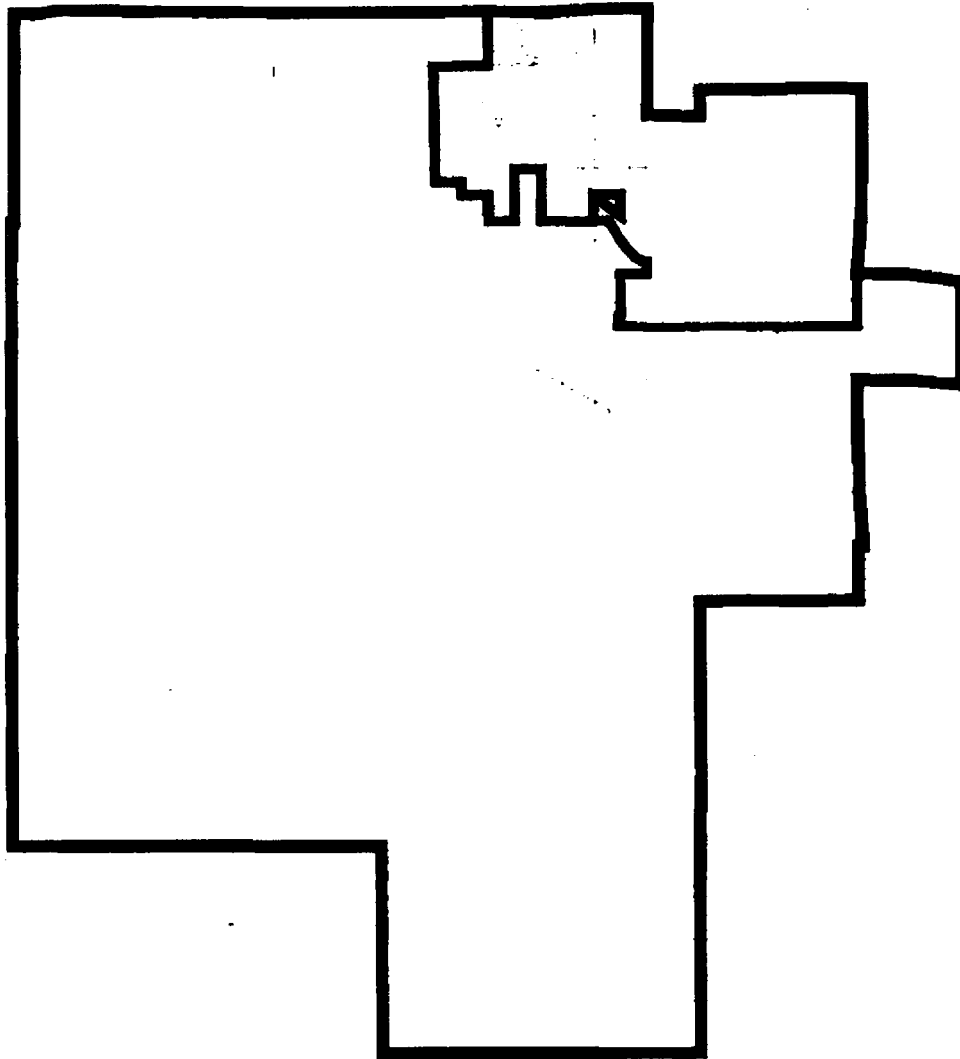


	City Limits		Global_Water	Gila River Reservation
	SW208_Aproved		Sonoran 387 acuisition	Maricopa (Ak-Chin) Reservation

EXHIBIT C – GLOBAL'S PLANNING AREA



Legend	
	City Limits
	Planning
	Gila River Reservation
	Maricopa (Ak-Chin) Reservation



23 May 2006

Delia M. Carlyle, Chairman
Ak-Chin Indian Community
Community Government
42507 W. Peters & Nall Road
Maricopa, AZ 85239

**Re: Letter of Understanding
Palo Verde Utilities Company (PVUC) Consolidated 208 Regional Water Quality
Management Plan Amendment**

Dear Chairman Carlyle:

Palo Verde Utilities Company (PVUC) and its parent Global Water Resources (Global) have been responding to significant growth pressure in the areas around the Cities of Maricopa and Casa Grande, and the Ak-Chin Indian Community (Community). For Global, the pressure to stay ahead of the growth in terms of infrastructure is intense; the consequences of not being ahead in planning, however, are dire.

It was under these circumstances that Global in 2004 began preparing the regional plan for water, wastewater and reclaimed water services. This plan came to be known as the "Consolidated 208 Plan" and provides a responsible, responsive and flexible approach to environmental sustainability in the region. Included in this Consolidated 208 Plan was the provision for re-use, recharge and discharges to washes in the area. Any discharges to Waters of the United States would be permitted by ADEQ under the Arizona Pollutant Discharge Elimination System (AZPDES) program.

Notwithstanding the operational benefits of an "emergency valve" to allow for the delivery of Class A+ Reclaimed Water to Waters of the US in times of prolonged decline in re-use consumption, or the fact that the reclaimed water proposed to be discharged can be scientifically demonstrated to be of better and more consistent quality than storm water, the Community has indicated that the cultural and environmental aspects of the washes simply outweigh any potential operational benefit afforded PVUC.

Accordingly, Global and PVUC are willing to remove the development of proposed new AZPDES discharge points upstream of the Ak-Chin Community in the Vekol, Santa Rosa, Smith and Santa Cruz washes, including their tributaries and the Santa Rosa Canal that could result in an impact or flow through the sovereign land of the Ak-Chin Community. It is understood and acknowledged that this decision comes with costs with respect to the deployment of recharge and re-use infrastructure and associated operating costs.

Recognizing the importance of the development of a continued working relationship between Global and the Community, the Community's commitment to protect and preserve its cultural, environmental and natural resources, and Global's objective of responding to growth in the area in a planned and managed manner, Global and PVUC agree to:

21410 North 19th Avenue, Suite 201, Phoenix, Arizona 85027

Phn 480.580.9600
Fax 480.580.9639

www.gwater.com

1. Amend and re-submit to CAAG the Consolidated 208 Plan and stipulate on the record during the May 24, 2006 Pinal County Board of Supervisor's hearing on case IUP-001-06 to withdraw the upstream discharge points that include the Vekol, Santa Rosa, Smith and Santa Cruz washes, including their tributaries and the Santa Rosa Canal that could result in an impact or flow through the sovereign land of the Ak-Chin Indian Community;
2. Deploy the necessary re-use and recharge infrastructure to preclude a requirement for such discharges to the Waters of the US;
3. Work with the Community to preserve aquifer water quality for the region and provide monitoring and compliance data as agreed to by Global and the Community such data as it relates to recharge activity and water quality and provide for the opportunity to review applications, reports and other relevant regulatory filings;
4. Consult with the Community in connection with Global's water, wastewater, and reclaimed water regional planning activities; and
5. Reiterate the offer to the Community to assist in providing water, wastewater and reclaimed water services as deemed appropriate and agreed to by Global and the Community.

The Community:

1. Recognizes the benefit of Global's re-use and recharge initiatives and offers no objections to the Consolidated 208 Plan (as amended pursuant to this document) including those permits or authorities required to implement the Plan (recharge/re-use permits, aquifer protection permits, underground storage facility permits, recovery permits, industrial use permits and other applicable permits); and
2. Recognizes the benefit of Global's re-use and recharge initiatives and offers no objections to the PVUC Industrial Use Permit application presently under review by Pinal County.

This document provides the framework that allows for the conservation of water resources in the area, the development of the area under a sustainable and managed model and the protection of the area's cultural heritage. As such, it represents a great starting point for further and future cooperation.

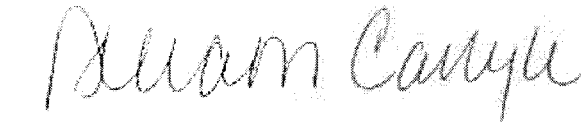
Sincerely,

GLOBAL WATER RESOURCES
PALO VERDE UTILITIES COMPANY



Trevor Hill, P.Eng.
President & CEO

AK-CHIN INDIAN COMMUNITY COUNCIL



Delia M. Carlyle
Chairman, Ak-Chin Indian Community

cc:

Ak-Chin Indian Community Council Members
William R. Rhodes, Governor, Gila River Indian Community (GRIIC)
Vivian Jumb-Saunders, Chairwoman, Tohono O'odham Nation (TON)
Joni Ramos, President, Salt River Pima-Maricopa Indian Community (SRPMIC)
Raphael Bear, President, Ft. McDowell Yavapai Nation
Janet Napolitano, Governor, State of Arizona
Congressman Raul M. Grijalva, 7th District, Arizona
Vera Phillips, Commission of Indian Affairs
John Lewis, Executive Director, Inter Tribal Council of Arizona, Inc.
Wayne Nadari, Regional Administrator, U.S. Environmental Protection Agency (U.S. EPA), Region IX
Kristin Guillot, Manager, Tribal Office, Water Division, U.S. EPA, Region IX
Clancy Teoley, Manager, Tribal Programs Office, Communities & Ecosystems Division, U.S. EPA, Region IX
Loretta Vasquez, Project Officer, Water Division, U.S. EPA, Region IX
Doug Eberhardt, NPDES Manager, U.S. EPA, Region IX
Dave W. Smith, IMDL Coordinator, U.S. EPA, Region IX
Amy Henulin, Bureau of Indian Affairs (BIA)
Cecilia Martinez, Acting Superintendent, Pima Agency, BIA
Chairman and Commissioners, Arizona Corporation Commission
Stephen A. Owens, Director, Arizona Department of Environmental Quality (ADEQ)
Herb Guenther, Director, Arizona Department of Water Resources
Joan Card, Division Director, Water Quality, ADEQ
Linda Tamm, Deputy Director, Water Quality, ADEQ
Dave Smider, Supervisor, Pinal County, District 3
Kelly Anderson, Mayor, City of Maricopa
Charles Wallen, Mayor, City of Casa Grande
James Thompson, City Manager, City of Casa Grande
Rick Buss, City Manager, City of Maricopa
Terry Doolittle, County Manager, Pinal County
Maxine Leather, Executive Director, Central Arizona Association of Governments
Ak-Chin Indian Community Task Force Co-Chair

D

LICENSE AGREEMENT

This License Agreement ("License") is made this day of 9 Nov 2006, by and between City of Maricopa, an Arizona municipal corporation ("City") and Palo Verde Utilities Company, LLC/Global Water-Palo Verde Utilities Company and Santa Cruz Water Company, LLC/Global Water-Santa Cruz Water Company (collectively, "Utility"). This License is entered into pursuant to and in accordance with the Memorandum of Understanding ("MOU") entered into between the City and the Utility's parent company, Global Water Resources, LLC ("GWR") dated December 6, 2005.

RECITALS:

A. Utility is currently or will be providing water and wastewater services throughout significant portions of the City, the Subject Territories and Global's Planning Area (as defined in the MOU). Such area is within the current or expected future area for which Utility holds a Certificate of Convenience and Necessity ("CC&N") issued by the Arizona Corporation Commission ("Commission"). Utility has been asked by certain property owners to petition the Commission for an extension of said CC&N to include additional areas within and outside the City but which are not currently within Utility's existing certificated area. The areas outside of the City are within the City's growth and/or planning areas. Utility acknowledges City's commitment to the health and welfare of the residents of these areas and, therefore, will continue to use the best available engineering and technology in supplying water, wastewater and reclaimed water services in conformance with applicable regulations of the United States Environmental Protection Agency, Arizona Department of Environmental Quality, Pinal County Department of Health and Human Services, the Commission, and any other governmental authority having jurisdiction thereof.

B. City acknowledges Utility's operation in these areas and recognizes the importance of the wastewater, water and reclaimed water utility services provided by Utility and further acknowledges the extension of Utility's CC&N and operations to include additional properties outside of and within the City.

C. City has agreed that Utility should be permitted the use of all public streets and rights-of-way within the City for utility service during the term of this License. Utility and City agree that City will have the right to review and approve the location of all wastewater and water mains, force mains, lift stations and other similar facilities that may be placed in public rights-of-way within the City's jurisdiction.

Accordingly, the parties hereto desire to enter into this License.

AGREEMENT:

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Definitions.** Utility and City agree to the following definitions as to terms utilized herein:

A. "City Administrator" shall mean the City Manager for the City of Maricopa, Arizona, who oversees the day-to-day conduct of City business in accordance with the directions of the Mayor and City Council as set forth in the City Code of the City of Maricopa, Arizona.

B. "City Facilities" shall mean all public utilities for the provision or collection of wastewater, water, gas, electric, telephone, railroad, solid waste and transportation including, but not limited to, methods of manufacture, distribution, transmission, storage or supply of such public utilities.

C. "Utility Facilities" shall mean facilities owned by Utility and used in the provision of water production, treatment and distribution, wastewater collection and treatment and reclaimed water delivery including, but not limited to, methods of manufacture, distribution, transmission, storage or supply of such wastewater treatment.

D. "Proprietary Function" shall mean functions that City, in its discretion, may perform when considered to be for the profit or benefit of the City and its residents as opposed to "Governmental Purposes."

E. "Environmental Laws" shall mean all federal, state and local laws, ordinances, rules, regulations, statutes and judicial decisions now or hereafter in effect, as amended from time to time, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or prevention or cleanup of pollution or contamination of the air, soil, surface water or ground water.

F. "Governmental Purposes" shall include, but not be limited to, the following functions of City: (1) any and all improvement to City streets, alleys, and avenues; (2) establishing and maintaining storm drains and related facilities; (3) establishing and maintaining municipal parks, parking, parkways, pedestrian malls, or grass, shrubs, trees, and other vegetation for the purposes of landscaping any street or public property; (4) collection and disposal of garbage; and (5) as defined by statute and case law.

G. "Hazardous Substances" means those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, or other petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials.

2. **Operating Grant.** City hereby grants Utility, its successors and assigns, the license, right and privilege to construct, maintain, and operate upon, over, along, across, and

under the present and future public rights-of-way (including, but not limited to, streets, alleys, ways, highways and bridges) within the City (currently or in the future) and those areas outside of the City's jurisdictional limits but within its growth areas (as defined on Exhibit A attached hereto), wastewater collection, water distribution, and reclaimed water distribution systems, together with all necessary or desirable appurtenances (including, but not limited to, pumping facilities, transmission mains, service lines, meters, force mains, collection mains, valves, cleanouts, manholes, control stations, remote terminal units, telemetry antennae (subject to applicable regulatory provisions) and equipment for its own use), for the purpose of supplying water together with wastewater collection, treatment and reclaimed water services to City, its successors, the inhabitants thereof, and all individuals and entities either within or beyond the limits thereof, for all reasonable purposes. This License shall be effective on the date first set forth above, and unless earlier revoked or terminated as provided for herein, the term of this License shall continue, as provided for in the MOU, until the earlier of (a) being replaced with a franchise agreement as provided for in the MOU or (b) twenty (20) years from the date of this License.

In the event of conflict between the terms and conditions of this License and the terms and conditions under which the City may grant a license as set forth in applicable Arizona law or the Maricopa City Code, the following will prevail in the order presented: (i) applicable Arizona law, (ii) Maricopa City Code, and (iii) this License.

This License as granted is non-exclusive. City specifically reserves the right to grant, at any time, such additional licenses to use the City's present and future public rights-of-way to other parties as it deems appropriate.

3. Compliance with City Practice; Map Submitted for Approval; City

Construction Near Utility Facilities.

A. Construction Standards.

All construction of Utility Facilities hereunder shall be performed in accordance with the construction standards, conditions and administrative procedures (including Global Water Construction Standards, Uniform Standard Specifications for Public Works Construction (MAG)) of City with respect to improvements in the public rights-of-way. Before Utility makes or authorizes any installations in the public rights-of-way, Utility shall submit for approval a map and site plan showing the location of such proposed installations to City Administrator or his designee. In addition, Utility is aware that City may require any landowner, developer or new customer entering into facilities extension agreements with Utility within the jurisdiction of City to submit their plans for facility construction for review and that City may charge a reasonable fee for such review. City shall require that City's costs for an on-site inspector to review Utility's compliance within the requirements of right-of-way permits issued pursuant to this License shall be paid by Utility. The inspector may be full time or part time as determined in the reasonable discretion of City based upon Utility's construction in the public right-of-way.

Utility shall strictly adhere to all applicable codes, right-of-way permit conditions or regulations of City currently or hereafter in force. Utility shall arrange the Utility Facilities within the area of the License in such a manner as to cause no unreasonable interference with the use of said public property. In the event of such interference caused by installation by Utility that is not in accordance with plans that have been submitted to the City, City may require the relocation or removal of Utility's Facilities from the property within the area of this License in question without cost to City.

B. Restoration.

Whenever Utility disturbs the surface or subsurface of any public right-of-way or adjoining public property or the public improvement located thereon, therein or thereunder for

any purpose mentioned herein, Utility shall promptly, at its own expense, restore, repair or replace the same to a condition as existed prior to the disturbance to the satisfaction of City (subject to City's customary practice of review upon request of Utility). If such restoration, repair or replacement of the surface, subsurface or any structure thereon, therein or thereunder is not completed in a reasonable time or such restoration, repair or replacement does not meet City's satisfaction, City may perform the necessary restoration, repair or replacement, either through use of its own forces or through a hired contractor, and the cost thereof, including the cost of inspection and supervision, shall be paid by Utility within thirty (30) days after receipt of City's invoice therefor. All excavations made by Utility in the City's public rights-of-way shall be properly safeguarded for the prevention of accidents. The work hereby required shall be done in strict compliance with the applicable rules, regulations and ordinances of City as now or hereafter amended.

C. Location.

The Utility Facilities herein provided for, to be constructed, installed, operated and maintained hereunder, shall be so located or relocated as to interfere as little as possible with traffic or other authorized uses over, under or through the City's public rights-of-way. Utility shall conduct its activities hereunder within the City's rights-of-way in such a manner as to not unreasonably interfere with City's placement, construction, use and maintenance of its public rights-of-way, street lighting, water pipes, drains, sewers, traffic signal systems, light rail or other City systems that have been, or may be, installed, maintained, used or authorized by City. Those phases of the activities licensed herein relating to traffic control, backfilling, compaction and paving, as well as the location or relocation of Utility Facilities herein provided for, shall be subject to regulation by City.

Utility shall keep accurate installation records of the location of all Utility Facilities in the City's public rights-of-way and shall cooperate with City to furnish such records in an electronic mapping format compatible with the current City electronic mapping format. At a minimum, such files shall be ESRI Shape Files that contain the center line route of the water and wastewater lines together with the nominal line size, operating system name, line section name, shape file projection, longitude/latitude coordinates, and NAD_1983 HARN Stateplane_Arizona_Central_FIPS_0202_Feet Intl Projection: Transverse_Mercator. Upon completion of changes in the Utility Facilities in the City's rights-of-way, Utility shall provide City with installation records in an electronic format compatible with the current City electronic mapping format showing the location of the underground and above ground facilities within thirty (30) calendar days from the completion of the installation.

Utility shall comply with Arizona Revised Statutes Sections 40-360.21 *et seq.* by participating as a member of the Arizona Blue Stake Center with the necessary records and persons to provide location service of Utility Facilities upon receipt of a locate call or as promptly as possible, but in no event later than two (2) working days. A copy of Utility's agreement or proof of membership shall be filed with City.

If, during the design process for public improvements being constructed for a Governmental Purpose, City discovers a potential conflict of Utility Facilities with proposed construction, Utility shall either: (1) at its sole cost through its own service locate and, if necessary, expose its facilities in conflict in the least destructive or intrusive method possible; or (2) reimburse City for the reasonable costs of using a pothole service under contract with City to locate or expose its facilities. City shall make reasonable efforts to design projects pursuant to this subsection so as to avoid relocation expense to Utility. Utility agrees to furnish the location

information in a timely manner, but in no case longer than fifteen (15) calendar days after City's written notice of potential conflict.

Utility agrees not to install, maintain or use any of its Utility Facilities in such a manner as to damage or unreasonably interfere with any existing facilities of any utility located within the rights-of-way of City.

D. Relocation

City may reasonably require relocation of the Utility Facilities in the City's public rights-of-way. If City requires such relocation, the entire cost of such relocation shall be borne by Utility.

City will not exercise its rights to require relocation of the Utility Facilities in an unreasonable or arbitrary manner, or to avoid its obligation under the License. City agrees to notify Utility during the planning and design of City's projects in rights-of-way that may require relocation of the Utility Facilities and to coordinate its construction plans and schedules with Utility to determine the most cost-effective design to mitigate Utility's cost to relocate the Utility Facilities.

City will make reasonable efforts not to require Utility to relocate the Utility Facilities within the public rights-of-way without providing Utility adequate space within the rights-of-way to relocate the Utility Facilities that must be moved.

Subject to the provisions of this Section, if, during the course of a project undertaken by or on behalf of City, City determines that the Utility Facilities are in conflict, the following procedures shall apply: (i) Prior to issuing notice to proceed to City's contractor, Utility shall, within a reasonable time, but in no event exceeding six (6) months, remove or relocate the conflicting facility to the alternate location provided by City as described in this Section. This time period shall begin running upon receipt by Utility of written notice from City. However, if

both City and Utility agree, the time frame may be extended based on the requirements of the project; (ii) Subsequent to City's notice to proceed to its contractor, City and Utility will immediately begin the coordination necessary to remove or relocate the conflicting facility. Actual construction of such removal or relocation is to begin no later than sixty (60) business days, if practicable, after written notification from City of the conflict.

Utility agrees to obtain a permit as required by this License prior to removing, abandoning, relocating or reconstructing, if necessary, any portion of the Utility Facilities within the City's public rights-of-way. Further, Utility shall reimburse City for pavement damage as reasonably determined by the City Code or the City. Reimbursement for pothole services and pavement damage is separate, and in addition to, any license fees included in this License. Utility, at the time of or prior to submitting construction plans, shall provide City with a description of the type of service to be provided by Utility in sufficient detail for City to determine compliance with this License.

In the event that Utility's construction or maintenance activities under this License conflict with existing or planned facilities occupying the City's public rights-of-way under authority of a City permit or License, and such activities require the relocation of such existing facilities, Utility shall be responsible for the cost of such relocation.

If Utility fails to comply with the terms of this License in undertaking any relocation of the Utility Facilities that are required under this License, and such failure delays construction of a public project causing City to be liable for delay damages, Utility shall reimburse City for those damages attributable to the delay created by Utility. Except for charges that it is disputing in good faith, Utility shall pay City for delay damages under this paragraph within thirty (30) calendar days of receipt of an invoice. Except for charges that Utility is disputing in good faith, a late charge in the amount of one and one-half percent (1.5%) accruing thirty-one (31) days

from the date of the invoice until paid per month shall be assessed for late payment of such damages.

E. Emergencies

In the event of a public emergency, City may direct Utility to undertake reasonable activities in connection with the Utility Facilities as deemed reasonably necessary by the City Administrator and Public Works Director to address a public emergency. A public emergency shall be any condition which, in the opinion of any of the officials named, poses an immediate threat to the lives or property of the citizens of City, caused by any natural or man-made disaster, including, but not limited to, storms, floods, fire, accidents, explosions, major water main breaks, hazardous materials spills, etc. Utility shall conduct any such emergency activities at its cost, but may seek recovery for such costs against any party, except City, that may have responsibility for causing the emergency. If Utility does not take the action directed by City described above within 24 hours, City reserves the right to cause such action to be undertaken by City or a third party and seek reimbursement from Utility.

F. Permitting

Prior to construction or alteration of the Utility Facilities in the City, Utility shall in each case file plans with the City's Public Works Department and any other department as may be designated by City and, where required, receive written approval in the form of a permit before proceeding with such work.

A City construction permit to allow installation of the Utility Facilities in the City may include the following, but not limited to, conditions: (i) Controlling construction hours to nighttime and weekends; (ii) Controlling the length of street segments under construction; (iii) Reserving the right to change the construction schedule to accommodate known and unforeseen events; (iv) Requiring public information/notification efforts; (v) Requiring construction firms to

utilize contract barricade companies and any other necessary traffic control devices; (vi) Requiring trench plating and restoration of the street segment to accommodate normal traffic needs each day; (vii) Requiring that substantial design be done up front to minimize unanticipated route changes; (viii) Providing for a requirement controlling the number of pipelines constructed in a street segment; (ix) Other reasonable conditions relating to construction in the City's rights-of-way.

G. Other

In the case of emergency repairs, after calling Police and Fire Departments as appropriate, Utility may call the City's Public Works Director or City Administrator to locate and obtain verbal approval for the emergency repair from the City. However, in all cases Utility must file plans and obtain all applicable permits within two (2) business days of any such emergency.

Whenever the construction, operation, use, relocation, reconstruction, repair, maintenance or related activity by Utility causes the release of a Hazardous Substance, Utility shall take all necessary actions and measures to immediately abate such Hazardous Substance. If Utility cannot contact the City Administrator or Public Works Director immediately, Utility shall proceed to abate the Hazardous Substance immediately and shall notify the City Administrator or Public Works Director, file plans, obtain a permit and make any required changes within two (2) business days of such abatement.

If City undertakes either directly or through a contractor any construction project adjacent to or near the Utility Facilities operated pursuant hereto and such activity does not involve a public improvement for a Governmental Purpose, City shall include in all such construction specifications, bids, and contracts a requirement that, as part of the cost of the project and at no cost to Utility, the contractor or his designee obtain from Utility approval for the temporary

removal, relocation, barricading or depressurization of any Utility Facilities or equipment, the location of which may create an unsafe condition in view of the equipment to be utilized or the methods of construction to be followed by the contractor. City shall indemnify and hold Utility harmless from any and all claims, costs, losses, or expenses incurred by Utility as a result of the failure of City to comply with the requirements hereof.

4. Fees.

A. A fee of three percent (3%) of Gross Revenues as it relates to consumptive use of water and wastewater by residential and commercial customers within the existing incorporated limits of the City, the Subject Territories and in Global's Planning Area shall be paid by Utility to the City. If the ACC Order (as defined in the MOU) has not been entered by April 14, 2006, then the fee of three percent (3%) as provided for above shall be reduced to two percent (2%) with respect to the consumptive use of water and wastewater residential and commercial customers located outside the jurisdictional limits of the City but within GWR's Planning Area; however, if any property located outside the City's jurisdictional limits becomes a part of the City's jurisdictional limits through an annexation, then the fee shall automatically be increased from two percent (2%) to three percent (3%) for the annexed property on the date the annexation is effective. In the event the Commission declines to enter the ACC Order and at the request of the Utility or GWR, the City will then proceed with a franchise election (at Utility's cost) seeking approval of the fees provided for in this Section and to grant Utility or GWR a franchise in connection therewith for a reasonable term as agreed to by the parties, but in no event less than twenty (20) years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of eighteen (18) months following the Commission declining to enter the ACC Order or October 15, 2007. Upon a request of Utility or GWR, the City agrees to continue to cause franchise elections to occur (at Utility's cost) on at

least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Utility or GWR will seek the consent of the Commission to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section are flow through fees to Utility and are incremental to the rates currently set in place by the Commission; however, if the Commission does not approve these fees to be added to the monthly consumptive billings of Utility, Utility shall pay the fees as an operating expense.

B. GWR shall pay City a special installation fee of Fifty Dollars (\$50.00) for each residential home within the jurisdictional limits of City as annexed from time to time connecting to the water or wastewater system described herein during the term of this License. Only a single Fifty Dollar (\$50.00) fee will be paid per home. The special installation fee will be adjusted to One Hundred Dollars (\$100.00) for each residential home within GWR's Planning Area (exclusive of the Ak-Chin Indian Reservation and also excluding homes within the jurisdictional limits of the City) connecting to the Utility's water and wastewater system described herein during the terms of this License. All such fees will be paid retroactively on a quarterly basis.

C. Payments due City under this License shall be made payable to the "City of Maricopa" and directed to: The City of Maricopa, P.O. Box 610, Maricopa, Arizona 85239. All forms and remittances received within the cashlering office on or before the last business day of the month following the end of each calendar quarter when due shall be regarded

as timely filed. The start of business of the first business day following the second month following the end of each calendar quarter when due shall be the delinquency date. Mailing the form of remittance on or before the due date or delinquency date does not relieve Utility of the responsibility of causing its form or remittance to be received by the last business day of the quarter when due. If such payment is not received by the delinquency date, City shall impose interest at a rate of one and one-half percent (1.5%) per month commencing from the delinquency date and continuing until the payment is made. Fractions of a month shall be considered to constitute a full month for the purpose of computing interest. Each payment shall be accompanied by a brief report showing the basis for the computation and such other relevant facts as may be required by the City.

D. The fees contemplated by this Section are the same fees contemplated by the Sections 5 and 12 of the MOU. The MOU shall not be construed as containing an additional obligation for the Utility or GWR to pay fees.

5. Nature of License. This License is not exclusive, and nothing herein contained shall be construed to prevent City from granting other like or similar grants or privileges to any other person, firm or corporation. Utility may not assign this License to any other person, firm or corporation without the prior written consent of City, which shall be expressed by a Resolution from the City Council. Any transfer of this License, whether voluntary or involuntary, without approval of the City shall be deemed void and of no effect.

6. Revocation.

6.1 Revocation for Cause. Subject to Section 6.2 below, this License issued hereunder may, after public hearing, be revoked, altered, or suspended by City as it deems necessary on any of the following grounds: (i) For failure to pay license fees as required under this License; (ii) For failure to comply with the law regarding the operation of the Utility

Facilities, this License or the appropriate regulatory authority; (iii) For violation of material terms of this License; (iv) Any fraud by Utility in its conduct or relations under the material terms of this License; (v) Willful or grossly negligent repeated violations of this License; (vi) Failure to comply with any federal, state, local or administrative order, law, permit regulation or consent decree as such may apply to the activities of Utility, as contemplated in this License; and (vii) Permanent or temporary suspension for a period greater than ninety (90) calendar days by the United States or the State of Arizona for any authorizations for Utility to own, operate, maintain, or construct the Utility Facilities.

6.2 Cure Period. If any of the foregoing events shall occur, Utility shall be given a period of thirty (30) days after receipt of a written notice of default from City to cure said default prior to the conduct of the hearing described in Section 6.3. If Utility shall fail to cure the event of default within said thirty (30) day period or, in the event of a default that is unable to be cured within such thirty (30) day period, Utility shall fail to commence the cure of the event of default and continue to diligently pursue such cure, the provisions of Section 6.3 shall then apply.

6.3 City Determination: Public Hearing. If Utility shall fail to remedy its default as provided for in Section 6.2, City shall notify Utility of that determination and shall state the major causes and reasons supporting the determination. Utility shall be granted ten (10) days to respond to the determination. City shall consider the response of Utility, if any, and may terminate, postpone for a period, or proceed with the revocation, alteration, or suspension process. If City proceeds with the revocation, alteration or suspension process, or reactivates postponed proceedings, a written statement of revocation, alteration or suspension shall be served upon Utility stating the principal reasons for such action and a copy of the statement shall be sent by certified U.S. Mail, return receipt requested, to Utility. This statement and a Notice of Public Hearing shall be published in a newspaper of general circulation and a public hearing

shall be scheduled thirty (30) days after publication. The City Council shall take final action on the revocation, alteration or suspension of the License after completion of the public hearing.

7 Abandonment

7.1 Abandonment: Removal of Facilities. In the event that the use of a substantial part of any of the Utility Facilities in the City is commenced in connection with the providing of regular services and then discontinued for any reason for a continuous period of two (2) years for reasons other than Force Majeure, or in the event such Utilities Facilities have been installed in any City public right-of-way without complying with the requirements of this License, or this License has terminated or been revoked, Utility shall promptly, upon being given thirty (30) days' notice from City, begin removal of such Facilities in the City and related appurtenances from the City's public rights-of-way other than such underground facilities which City may permit to be abandoned in place. In the event of such removal, Utility shall promptly restore the street or other area from which such property has been removed to a condition satisfactory to City subject to City's customary practice to review upon request of Utility. As a minimum, Utility shall restore the City's public rights-of-way to a condition as existed prior to the removal of the structure or property.

7.2 Permanent Abandonment. Utility Facilities and any other property of Utility remaining in the City's public rights-of-way without the consent of City one hundred and eighty (180) days after the revocation of the License shall be at the option of City considered permanently abandoned. Any Utility property permitted to be abandoned in place shall be abandoned consistent with applicable law.

8. Indemnification and Insurance

8.1 General Indemnification. Utility shall fully indemnify, defend and hold harmless City, its officers, boards, commissions, elected officials, agents, attorneys, representatives and

employees (the "Indemnitees") against any and all costs, damages, expenses, claims, suits, actions, liabilities and judgments for damages, including but not limited to, reasonable expense for legal fees, whether suit be brought or not, and disbursements and liabilities incurred or assumed by City (collectively "Losses") in connection with: (i) Personal injury or death and damage to any form of property tangible or intangible, in any way arising out of or through the acts or omissions of Utility, its officials, agents, attorneys, representatives or employees; (ii) Requests for relief to the extent arising out of any Utility action or inaction which results in (a) a claim for invasion of the right of privacy; (b) defamation of any person, firm or corporation; (c) trespass or any claim of compensable taking or compensable diminution of use or value of property; (d) violation or infringement of any copyright, trademark, trade name, service mark or patent; (iii) Any and all claims arising out of Utility's failure to comply with the provisions of this License or any federal, state or local law or regulation applicable to Utility; or (iv) Any and all disputes arising out of a claim by any party other than City or Utility wherein damages or other relief is sought to the extent caused by an action or omission of Utility. However, such duty to indemnify, defend and hold harmless shall not apply to Losses arising from the negligence or willful misconduct of City, its employers, agents, representatives and invitees for which City shall indemnify Utility..

8.2 Waiver. The provisions of this Section shall not be read to impose any liabilities on City not imposed by other law, or to waive any immunities City may have under federal or state law. Utility shall make no settlement in any matter identified above without City's written consent, which shall not be unreasonably withheld or delayed. Failure to inform City of settlement shall constitute a breach of the License and City may seek any redress available to it against Utility whether set forth in this License or under any other municipal, state or federal laws. City's exercise of or failure to exercise all rights pursuant to any section of this License

shall not affect in any way the right of City to subsequently exercise any such rights or any other right of City under this License or any other rule, regulation or law.

8.3 All Rights Reserved. All rights of City, pursuant to indemnification and insurance as provided for by this License are in addition to all other rights City may have under this License and any other rule, regulation or law.

8.4 Survival. The provisions of this Section shall not be dependent or conditioned upon the validity of this License or the validity of any of the procedures or agreements involved in the award of a license, but shall be and remain a binding right and obligation of City and Utility even if part or all of this License is declared null and void in a legal or administrative proceeding. It is the intent of Utility and City, upon the Effective Date of the License, that the provisions of this subsection survive any such declaration and shall be a binding obligation of and inure to the benefit of Utility and City and their respective successors and assigns, if any.

8.5 Environmental Indemnification. Utility (as "Indemnitor") agrees to indemnify, defend, save and hold harmless City and its officers, officials, agents and employees as ("Indemnitee") from and against any and all demands, claims, complaints, losses, damages, actions or causes of action, assessments, liabilities, costs or expenses including, without limitation, interest, penalties and reasonable attorneys' fees and reasonable expenses of investigation and remedial work (including investigations and remediation by engineers, environmental consultants and similar technical personnel) asserted against or imposed upon or incurred by Indemnitee arising in connection with, or resulting from, any Environmental Law, including but not limited to, any use, generation, storage, spill, release, discharge or disposal of any Hazardous Substance that comes to be located on, at, about or under the City's rights-of-way because of, or in connection with, the violation of any Environmental Law (hereinafter collectively referred to as "Claims") to the extent that such Claims are caused by the Fault of the

Indemnitor, its officers, officials, agents, employees, contractors, volunteers, tenants, subtenants, invitees or licensees. As used in this Section, "Fault" means those nonculpable acts or omissions giving rise to strict liability under any Environmental Law pertaining to Hazardous Substances, as well as culpable conduct (negligence or willful misconduct) provided however, "Fault" does not include claims caused by the negligence or willful misconduct of City, its employees, agents, representatives or invitees.

8.6 Liability Insurance. Beginning upon the Effective Date and continuing throughout the term of this License, Utility shall maintain insurance in the amounts and under the terms and conditions set forth in Exhibit B. Within thirty (30) days of the Effective Date, Utility shall file with City and maintain on file throughout the term of this License certificates of insurance that demonstrate that Utility complies with the requirements set forth in Exhibit B. Utility shall also provide City certificates evidencing its compliance within ten (10) business days from any subsequent request from City.

8.7 Changes to Insurance. Utility shall have six (6) months from the date of notification from the City Administrator of reasonable changes to the insurance requirements to comply with such changes. City may, no more frequently than each year on the anniversary date of this License, change such insurance requirements to be consistent with insurance requirements consistent with prudent water, wastewater, and reclaimed water utility practices.

9. General Provisions

9.1 License Administrator and Enforcement. In all matters of License administration, the City Administrator shall have authority to determine Utility's compliance with the terms and provisions of this License, and in the event of non-compliance to exercise any or all of the remedies included in this License, except that License revocation may be accomplished as indicated in this License. Should Utility become dissatisfied with any material decision or ruling

of the City Administrator, Utility may appeal the decision of the City Administrator on issues of significance, to the City Council. The City Council may refuse to reconsider, accept, reject or modify the decision of the City Administrator. Notwithstanding the above, this provision shall in no way be deemed to restrict Utility from seeking relief in any court of competent jurisdiction.

9.2 Right of Inspection of Construction. City shall have the right to inspect all construction or installation work performed subject to the provisions of this License and to make such tests as it shall find necessary to ensure compliance with the terms of this License and other pertinent provisions of law.

9.3 Right of Intervention. City shall have the right of intervention in any suit or proceeding related to or arising out of this License to which Utility is party, and Utility shall not oppose such intervention by City but shall in no way be deemed to have waived its rights to oppose the merits of the City's position following such intervention.

9.4 Right of Inspection of Records. Upon five (5) business days' prior written notice, City shall have the right to inspect all books, records, maps, plans, and other like material of Utility which is limited to and relates to this License, at any time during normal business hours at a location within the jurisdictional limits of the City

9.5 Proprietary Information. If Utility determines that in order to respond to City's request for documentation and inspection that it must reasonably provide proprietary information, Utility shall so designate such claim to proprietary treatment on documents provided to City. Proprietary information disclosed by Utility for the purposes hereunder shall mean any document or material clearly identified as confidential (hereinafter "Proprietary Information"). Proprietary Information shall not, however, include information provided by City to calculate the license fee or permits issued by City. Proprietary Information disclosed by Utility hereunder to City or its constituent departments shall be regarded as proprietary as to

third parties, and City shall take such steps as are reasonably necessary to keep such information confidential. The foregoing shall not apply to any information which is already in the public domain; however, if public domain information is included with proprietary information on the same document, City shall only disclose those portions within the public domain. If a third party ever challenges Utility's designation of information as Proprietary Information and Utility does not want the information disclosed, Utility will reimburse the City for any expenses incurred in responding to such challenge by the third party.

9.6 Public Records Acknowledgment. Notwithstanding any provision in this License, Utility acknowledges and understands that City is a political subdivision of the State of Arizona and is subject to the disclosure requirements of Arizona's Public Records Law (Ariz. Rev. Stat. Ann. §§ 39-121, *et seq.*).

9.7 Permission of Property Owner Required. A License granted hereunder shall not convey the right to install any Utility Facilities or other piece of equipment by Utility on private property.

9.8. Compliance with Laws. Utility shall comply with all Federal and State of Arizona laws, as well as all City ordinances, resolutions, rules and regulations heretofore or hereafter adopted or established as they pertain to the exercise of the rights and duties granted Utility under this License.

9.9 Non-Performance by City. Utility shall not be relieved of its obligation to comply with any of the provisions of this License by reason of any failure of the City, upon any one or more occasions, to insist upon or to seek compliance with any such terms and conditions.

9.10 Right to Secure Public Welfare. There is hereby reserved to City every right and power which is required to be herein reserved or provided by any ordinance or the City Code and Utility by its acceptance of this License, agrees to be bound thereby and to comply with any

actions. If Utility discovers a pre-existing environmental condition, Utility shall immediately notify City in writing.

9.14 Right of Cancellation. Utility acknowledges that this License is subject to cancellation by City pursuant to the provisions of Section 38-511, Arizona Revised Statutes.

9.15. Covenant Against Contingent Fees. Utility warrants that no person has been employed or retained to solicit or secure this License upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee; and that no member of the City Council, or any employee of City, has any interest, financially or otherwise, in this License or Utility. For breach or violation of this warranty, City shall have the right to annul this License without liability, or at its discretion to deduct from the License price or consideration, the full amount of such commission, percentage, brokerage or contingent fee.

9.16 Equal Opportunity/Affirmative Action. Utility shall comply with the provisions of this License pertaining to discrimination and accepting applications or hiring employees. Utility shall not discriminate against any worker, employee or applicant, or any member of the public, because of race, color, religion, gender, national origin, sexual orientation, age or disability nor otherwise commit an unfair employment practice. Utility will take affirmative action to ensure that applicants are employed, and employees are dealt with during employment, without regard to their race, color, religion, gender or national origin, sexual orientation, age or disability. Such action shall include but not be limited to the following: employment, promotion, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship as well as all other labor organizations furnishing skilled, unskilled and union labor, or who may perform any such labor or services in connection with this License.

action or requirements of City in its exercise of such rights or power, heretofore or hereafter enacted or established. Neither the granting of this License nor any provision hereof shall constitute a waiver or bar to the exercise of any governmental right or power of City. No privilege or exemption shall be granted under this License except those specifically prescribed herein.

9.11 The License Document—Issuance and Acceptances. The License granted shall not become effective until all provisions required in this subsection are completed, all of such provisions being hereby declared to be conditions precedent to the effectiveness of any such License granted hereunder. In the event any of such provisions are not completed in the time and manner required, the License shall be null and void. Within thirty (30) days of the Effective Date of this License or within such extended period of time as the City Council in its discretion may authorize, Utility shall submit to City its written acceptance of the License, together with the insurance certificates required by the License, and its acknowledgment that it will be bound by and comply with everything which is required of Utility by the provisions of the License. Such acceptance shall be acknowledged by Utility.

9.12. Survival of Warranties. Utility's representations and warranties made under this License or any permit issued hereunder shall survive termination or revocation.

9.13. Hazardous Substances. Utility shall, at its own cost, be responsible for proper investigation and management of all Hazardous Substances under its control, including Hazardous Substances in which it uses, generates or disposes of, and shall comply with all Environmental Laws in carrying out its obligations under this License. In the event Utility releases to the environment Hazardous Substances under its control, to the extent that a governmental agency with jurisdiction requires reporting, investigation, cleanup or remedial measures to be taken, Utility shall, at its sole cost and expense, promptly undertake such required

9.17. Independent Contractor. Any provision in this License that may appear to give the City the right to direct Utility or Utility the right to direct City as to the details of accomplishing the work or to exercise a measure of control over the work means that the party shall follow the wishes of the other party as to the results of the work only. These results shall comply with all applicable laws and ordinances. The parties are each independent of each other and nothing in this License shall be construed as creating a joint venture relationship between the parties.

9.18. Compliance with Federal Laws. Utility understands and acknowledges the applicability of the Immigration Reform and Control Act of 1986 and the Drug Free Workplace Act of 1989 to this License. Utility agrees to comply with these laws in performing this License and to permit City to verify such compliance.

9.19 Governing Law; Jurisdiction. It is mutually understood and agreed that this License shall be governed by the laws of the State of Arizona, both as to interpretation and performance. Any action at law, suit in equity or judicial proceeding for the enforcement of this License or any provision thereof shall be instituted only in the courts located within Pinal County, Arizona.

9.20 Delivery, Procedure of Notices and Communications. All notices, consent or other communication under this License shall be in writing and either delivered in person, sent by facsimile transmission, deposited in the United States mail, postage prepaid, registered or certified mail, return receipt requested, or deposited with any commercial air courier or express service and addressed as follows:

To: Global Water Resources, LLC
21410 North 19th Avenue, Suite 201
Phoenix, Arizona 85027
Attn: Trevor Hill
Fax: 623-580-9659

To the City: City of Maricopa
P.O. Box 610
Maricopa, Arizona 85239
Attn: City Manger
Fax: 520-568-9120

With a copy to: Fitzgibbons Law Offices, PLC
711 East Cottonwood Lane, Suite E
Casa Grande, Arizona 85222
Attn: Denis Fitzgibbons
Fax: 520-426-9355

Notice shall be deemed received at the time it is personally served or, on the day it is sent by facsimile transmission, on the second day after its deposit with any commercial air courier or express service or, if mailed, three (3) calendar days after the notice is deposited in the United States mail as above provided. Any time period stated in a notice shall be computed from the time the notice is deemed received unless noted otherwise. Any party may change its mailing address, fax number or the person to receive notice by notifying the other party as provided in this Section. Notices sent by facsimile transmission shall also be sent by regular mail to the recipient at the above address. This requirement for duplicate notice is not intended to change the effective date of the notice sent by facsimile transmission.

9.21. Organization/Employment Disclaimer. This License is not intended to constitute, create, give rise to, or otherwise recognize a joint venture, agreement, or relationship, partnership, or formal business organization of any kind, and the rights and obligations of the Parties shall be only those expressly set forth therein. Utility agrees that no persons working for Utility are City employees and that no rights of City Civil Service, Retirement or Personnel rules accrue to such persons. Utility shall have total responsibility for all salaries, wages, bonuses, retirement, withholdings, workmen's compensation, unemployment compensation, other benefits, and all taxes and premiums appurtenant thereto concerning such persons, and shall save and hold City harmless with respect thereto.

9.22 Entire Agreement; Amendment; Waivers. This License, and the below listed exhibits which are incorporated herein by this reference and are attached hereto and/or on file at City and available for inspection, constitute the entire agreement between City and Utility with respect to the transactions contemplated therein and supersede all prior negotiations, communications, discussions and correspondence, whether written or oral, concerning the subject matter hereof. No supplement, modification, or amendment of any term of this License shall be deemed binding or effective unless executed in writing by the Parties. No waiver of any of the provisions of this License shall be deemed, or shall constitute, a waiver of any other provisions, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

9.23. Right of Parties. Nothing in this License, whether express or implied, is intended to confer any right or remedies under or by reason of this License on any persons other than the Parties to this License and their respective successors and permitted assigns, nor is anything in this License intended to relieve or discharge any obligation or liability of any person who is not a Party to this License, nor shall any provision hereof give any persons not a Party to this License any right of subrogation or action over or against any Party to this License.

9.24. Construction. This License is the result of negotiations between the Parties, none of whom has acted under any duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions of this License shall be construed in accordance with their usual and customary meanings. The Parties hereby waive the application of any rule of law that otherwise would be applicable in connection with the construction of this License that ambiguous or conflicting terms or provisions should be construed against the party who (or whose attorney) prepared the executed License or any earlier draft of the same. Unless the context of this License otherwise clearly requires, references to the plural include the singular

and the singular the plural. The words "hereof," "herein," "hereunder" and similar terms in this License refer to this License as a whole and not to any particular provision of this License. All references to "Sections" herein shall refer to the sections and paragraphs of this License unless specifically stated otherwise. The section and other headings contained in this License are inserted for convenience of reference only, and they neither form a part of this License or are they to be used in the construction or interpretation of this License.

9.25. Severability. If any covenant, condition, term or provision of this License is held to be illegal, or if the application thereof to any person or in any circumstances shall to any extent be judicially determined to be invalid or unenforceable, the remainder of this License or the application of such covenant, condition, term or provision to persons or in circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each covenant, term and condition of this License shall be valid and enforceable to the fullest extent permitted by law.

9.26. Cooperation and Further Documentation. Each of the Parties agree to provide the other with such additional and other duly executed documents as shall be reasonably requested to fulfill the intent of this License.

9.27. Survival of Representations and Warranties. All representations and warranties made in this License shall survive the execution and delivery of this License.

9.28. Force Majeure. For the purpose of any of the provisions of this License, neither Utility nor City, as the case may be, shall be considered in breach of or in default of their obligations under this License as a result of the enforced delay in performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God, acts of the public enemy, acts of the Federal Government, acts of Pinal County, acts of the State of Arizona or any of its departments or

commissions, acts of any railroad, fire, floods, epidemics, strikes, lock outs, freight embargoes and unusually severe weather; it being the purpose and intent of this provision that in the occurrence of any such enforced delay, the time for performance of Utility's and City's obligations, as the case may be, shall be extended for the period of the enforced delay, provided that the party seeking the benefit of this provision shall have notified the other party thereof in writing of the cause or causes thereof, and requested an extension for the period of the enforced delay. If notice by the party claiming such extension is sent to the other party more than thirty (30) days after commencement of the cause, the period of delay shall be deemed to commence thirty (30) days prior to the giving of such notice.

9.29. Recitals. The Parties represent and warrant that the recitals as stated above are accurate, current and are incorporated herein by this reference.

IN WITNESS WHEREOF, the Parties have caused this License to be executed as of the date first set forth above.

CITY OF MARICOPA

By 

Its Mayor

Attest:

By 

Its City Clerk

Approved as to form:

By 

City Attorney

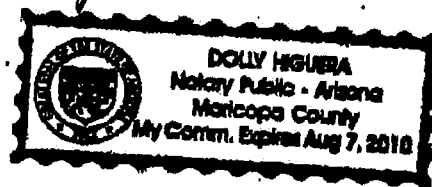
STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 10th day of November 2006, before me, the undersigned officer, personally appeared TREVIN T. HILL, who acknowledged himself to be the President of Palo Verde Utilities Company, LLC/Global Water-Palo Verde Utilities Company and that he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHERE, I hereunto set my hand and official seal.

Dolly Higueras
Notary Public

My Commission Expires: Aug 7, 2010



STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 10th day of November 2006, before me, the undersigned officer, personally appeared TREVIN T. HILL, who acknowledged himself to be the President of Santa Cruz Water Company, LLC/Global Water-Santa Cruz Water Company and that he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHERE, I hereunto set my hand and official seal.

Dolly Higueras
Notary Public

My Commission Expires: Aug 7, 2010

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MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING ("MOU") is entered into as of October 2, 2007 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the Town of Buckeye, an Arizona municipal corporation (the "Town"). Collectively, Global and the Town are sometimes referred to as the "Parties" and each is referred to as a "Party".

RECITALS

WHEREAS, Global, through its subsidiaries, has made application for an Amendment to the Maricopa Association of Governments ("MAG") Clean Water Act Section 208 Areawide Water Quality Management Plan for Hassayampa Utility Company, Incorporated ("HUC") in a planning area known as the HUC Northeast Service Area (for convenience, may collectively be referred to as the "HUC Proposed MAG 208 Amendment"); and

WHEREAS, the HUC Northeast Service Area is adjacent to the Town's municipal planning area boundary ("MPA"); and

WHEREAS, the Town, through a joint effort with developers in the Town's MPA and with developers outside of the Town's MPA, retained an engineering consultant, Brown and Caldwell, to conduct a hydrologic study of the Lower Hassayampa Sub-Basin ("Sub-Basin") and the results of that study, which were submitted to the Arizona Department of Water Resources in November 2006, indicate that planned development within the Town's MPA can be sustained through proper management of the Sub-Basin which includes recharge of reclaimed water in strategic areas of the Sub-Basin; and

WHEREAS, the Parties acknowledge that Sub-Basin management through conservation, recharge, and reuse of reclaimed water will be a part of any long term total water management strategy; and

WHEREAS, water demands within the HUC Northeast Service Area will also be served from the Sub-Basin and therefore dependent upon proper management of the Sub-Basin; and

WHEREAS, the Town has lodged its opposition to the HUC Proposed MAG 208 Amendment due to the Town's concerns that the development in the HUC Northeast Service Area will result in recharge of reclaimed water in a manner that may not properly sustain the viability of the Sub-Basin and, based upon the Sub-Basin study conducted by Brown and Caldwell, a regional approach to proper management of the Sub-Basin is critical in order to achieve sustainability of the Sub-Basin and to support planned development in the region; and

WHEREAS, the Parties have had initial discussions regarding their desire to work cooperatively on water resource planning and management of the Sub-Basin with the ultimate goal of working towards achieving an enforceable agreement between the Parties regarding Sub-Basin management; and

Consequently, incorporating the above Recitals as the basis for this MOU, the Parties agree:

1. That the Town and Global will undertake meaningful discussions over the next 35 days as it relates to Sub-Basin management and the discussions will include, but not be limited to, the following issues:
 - A. whether the recharge sites in the HUC Proposed MAG 208 Amendment are strategically located to allow efficient and effective recharge and positive impact on the Sub-Basin;
 - B. whether alternative recharge sites that provide positive recharge impact on the Sub-Basin are feasible;
 - C. proposed locations of well and recovery well sites;
 - D. minimum recharge and reuse levels for the region;
 - E. conservation requirements, education and community outreach;
 - F. reducing the impacts of development on the Sub-Basin from a gallons per capita per day basis.
2. That the Town and Global will attempt to make every practical reasonable effort within the next thirty-five (35) days to reach agreement on an approach to proper management of the Sub-Basin as to the issues in paragraph 1 above and the Parties will explore the option of using a facilitator to discuss the matters in this MOU in an effort to achieve the agreement contemplated herein.
3. That Global will request Regional Council consideration of the HUC Proposed MAG 208 Amendment at the October 24, 2007 Regional Council meeting so that the Parties will have time to conduct the discussions contemplated by this MOU;
4. That the Town, in return for Global's commitment to the Town to work cooperatively to achieve an agreement between the Parties as described in paragraph 2 of this MOU, the Town will not oppose the HUC Proposed MAG 208 Amendment at the MAG Management Committee October 3, 2007 meeting.

5. That the Town will provide Global with a copy of the November 2006 Brown and Caldwell report of the hydrologic study of the Sub-Basin so that Global will have the benefit of the Sub-Basin information set forth in such report.
6. That Global will participate with the Town in Sub-Basin modeling updates so that the groundwater status of the Sub-Basin may be kept as current as possible for proper management.

This MOU is intended to establish a framework for good faith cooperation between the Parties to achieve the results outlined herein. It is acknowledged and agreed by the Parties that this MOU is not a binding agreement and it is not enforceable against either Party.

DATED this 24th day of October 2007.

Town of Buckeye, an Arizona municipal corporation

By: Bobby Bynum
Its Mayor

Attest:

Linda Harrison
Town Clerk

Global Water Resources, LLC

By: [Signature]
Title: President & CEO

**AGREEMENT REGARDING THE WATER RESOURCE MANAGEMENT OF THE
LOWER HASSAYAMPA SUB-BASIN**

**By and Between
TOWN OF BUCKEYE
And
GLOBAL WATER RESOURCES, LLC**

PURPOSE OF THE AGREEMENT: Acknowledging the shared use of the Lower Hassayampa Sub-Basin ("Sub-Basin") by the Town of Buckeye and Global Water Resources, LLC and to support the long-term water demands of the residents in the Sub-Basin, this Agreement serves to facilitate cooperation and the coordination of the management of the water resources in the Sub-Basin by the Town of Buckeye and Global Water Resources, LLC (collectively, the "Parties") in their respective service areas to result in management practices and facility locations that serve the common interests of the respective service areas and the Sub-Basin. Individual management practices and facility locations will be evaluated as to their effectiveness on a local and regional scale, based on physical boundaries and limitation of the aquifer system. Nothing in this Agreement is deemed to be a waiver by the Parties of any regulatory approvals (ADWR or otherwise) that are required to implement any of the goals or terms of this Agreement.

GOALS OF THE PARTIES: To employ best reasonable management practices to:

- manage the water resources in the Sub-Basin;
- encourage positive aquifer impacts;
- minimize and/or mitigate negative hydrologic interference;
- maximize recharge and reuse of reclaimed water;
- reduce or eliminate discharge of reclaimed water;
- promote local replenishment to offset depletion.

DEVELOPMENT OF MANAGEMENT CRITERIA AND PROCESSES:

To carry out the purpose of cooperative and coordinated regional management of the water resources in the Sub-Basin, the Parties agree to:

- Identify criteria for location of groundwater withdrawal, recovery, and recharge sites;

- Define general criteria to be used in assessing whether the modeled impacts are negative, positive, neutral:
 - Drawdown in wells
 - Depth to water
 - Water quality implications
 - Timeline for impacts
- Identify critical impact areas in the Sub-Basin;
- Recharge and reuse reclaimed water as a method of achieving the goal of water budget balance. Focus on conservation and reuse to reduce/limit groundwater withdrawals and reduce/limit discharge.
- Develop a process for non-binding dispute resolution

HASSAYAMPA SUB-BASIN MODEL: The Parties agree that the scientific basis of the Sub-Basin Model (including underlying geology and hydrogeology) prepared by Brown and Caldwell and delivered to ADWR November 2006 (the "Model") is sound. The Parties agree that they will use the Model to assess regional impacts of each party's management practices and facility locations. An assessment of localized impacts may need a higher resolution model derived from the Model.

- The Model will be used by the Parties to provide a basis for evaluating management practices and facility locations. The Model will be used by the Parties to evaluate the impacts of future well fields, recharge sites, reuse plans, and recovery wells in accordance with the Management Criteria;
- The Model will be used by the Parties to produce different simulations to analyze deviations in demand, recharge, well sites, timing, and other factors which could impact the water balance in the Model area. Examples include:
 - Reuse of reclaimed water instead of recharge or using a combination of recharge and reuse
 - New well fields or even single wells in sensitive areas
 - Recovery well siting
 - New groundwater pumping demand in the Sub-Basin ("new" being defined as not currently included in Model simulations)
 - New recharge sites in the Sub-Basin that are in regions of shallow groundwater

- ✓ The Parties agree that deviations from the baseline assumptions of the Model may trigger Model revisions/reruns in order to assess impacts on the Sub-Basin;
- ✓ The Parties agree to meet at least semi-annually to discuss changes in planning assumptions that could impact the Sub-Basin water balance and therefore require updates to the Model.

SIGNATURES ON FOLLOWING PAGE

DATED this 7th day of October 2007.

**Town of Buckeye, an Arizona municipal
corporation**

By: Bobby Bryant
Its Mayor

Attest:

Linda Harrison
Town Clerk

Global Water Resources, LLC*

By: [Signature]
Title: President

* Global Water Resources, LLC is signing and delivering this Agreement conditioned on the Town of Buckeye agreeing to not oppose, directly or indirectly, the HUC Proposed MAG Amendment (as defined in the Memorandum of Understanding signed by the Parties October 2, 2007) which is scheduled as an agenda item for the Maricopa Association of Governments Regional Council meeting on October 24, 2007. Global Water Resources' execution of this Agreement shall be null and void absent the Town of Buckeye executing this Agreement as written (before 10/24/07) and the Town not opposing, directly or indirectly, the HUC Proposed MAG 208 Amendment at the Regional Council meeting on October 24, 2007 or as may thereafter be heard by the Regional Council.

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (this "MOU") is entered into as of August 25, 2008 between Global Water Resources, LLC, a Delaware limited liability company ("Global"), and the City of Eloy, a municipal corporation ("City").

RECITALS

WHEREAS, the Utility Companies (as defined below) will be engaged in the business of providing water, wastewater and reclaimed water infrastructure services;

WHEREAS, Global is the owner of Global Water-Picacho Cove Water Company ("PCWC") and Global Water-Picacho Cove Utilities Company ("PCUC") (collectively "Utility Companies");

WHEREAS, PCWC and PCUC are Arizona public service corporations defined in Article 15, Section 2, of the Arizona Constitution and, as such, are regulated by the Arizona Corporation Commission ("ACC"). PCWC and PCUC have applied for Certificates of Convenience and Necessity ("CC&N") by the ACC to provide water and waste water services (collectively the "Utility Services"), respectively, in the subject area set forth in Exhibit "A" (hereinafter referred to as the "Subject Territory").

WHEREAS, Global has existing commitments in place to provide water, wastewater and reclaimed water infrastructure services to developments both within and outside the Subject Territory. These developments include projects/properties known as Picacho Cove, Citrus Ranch, and La Osa,

WHEREAS, the City intends to facilitate and manage future growth in accordance with its obligations under the Growing Smarter legislation and Growing Smarter Plus legislation

enacted into law by the Arizona Legislature;

WHEREAS, the City and Utility Companies have jointly identified certain land areas to regionally plan and permit for Utility Services, as more fully shown on the Subject Territory set forth in Exhibit A hereto;

WHEREAS, the City has identified land areas as their municipal planning area ("MPA") as future annexations, a portion of which includes the Subject Territory, and, in connection therewith, the Parties desire to work closely and cooperate with each other to assist the orderly assimilation of these areas;

WHEREAS, the City has the potential of experiencing rapid growth, and in order to facilitate and manage this potential future growth, the City wishes work with Global and its Utility Companies to establish Utility Services within the Subject Territory;

WHEREAS, the City is supportive of the Utility Companies's pending application to the ACC for the establishment of their CC&N for Utility Services in the City's Municipal Planning Area, more specifically within the Subject Territory attached as Exhibit "A", and the Parties acknowledge that the establishment/expansion of the CC&N over the Subject Territory may not be finalized until such time as the appropriate Arizona Department of Water Resources ("ADWR"), Arizona Department of Environmental Quality ("ADEQ") and Central Arizona Association of Governments ("CAAG") permits and approvals are in place and the Parties acknowledge that it will require cooperation and mutual support to achieve the necessary regulatory approvals;

WHEREAS, the Parties wish to form an Agreement which will benefit both Parties and significantly enhance and streamline the manner in which the Parties currently work together;

WHEREAS, the Parties believe such an Agreement represents a cost-effective and efficient solution to the water and wastewater challenges facing the City's current and anticipated future residents within the Subject Territory;

WHEREAS, the City seeks innovative revenue streams that maintain the City's long-term fiscal health and defray cost impacts that may occur within the Subject Territory;

WHEREAS, the City acknowledges Global's commitment to water conservation to date in other parts of the State/County, and its expressed intent to be a contributing corporate citizen in the community, and its desire to have a positive working relationship with the City;

WHEREAS, the Parties acknowledge the significant material capital expenditures and the consequent strong commitment that will be required by Global to meet the challenges created by the potential rapid growth within the Subject Territory;

WHEREAS, the Parties acknowledge the universal importance of water and wastewater services to all governmental jurisdictions, the unique challenges faced by the City in meeting the needs of the development community, and the unprecedented potential growth facing the City;

WHEREAS, the Parties acknowledge that the following terms are not intended to limit or increase the legal responsibilities of the City nor the statutory requirements of Global or its Utility Companies;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Coordination and Communications. Staff of the City and Global shall meet on a regularly scheduled monthly basis, and more or less often as needed by mutual consent. City representatives at these meetings shall normally be the City Manager, the Public Works Director, and the Community Development Director, and/or their designees. Global's representatives at these meeting shall normally be the Regional General Manager, or their designees. Other meetings with other representatives may be arranged as needed.

2. Annual Report to the City of Eloy. Global shall submit an Annual Report to the Mayor and City Council. This Annual Report shall normally be submitted by April 1st each year, unless the Parties agree on a different date. The report shall include: Annual revenues and expenditures, total number of water and wastewater customers, customers added this past year, number of customers anticipated to be connected next year, water and wastewater facilities completed in preceding year, planned projects for the next year(s), and a copy of the annual report to the ACC. Global shall provide free of charge to the City copies of any annual reports Global provides to ADEQ and/or ADWR.

3. Proposed Rate and/or Fee Adjustments. Global shall submit proposed rate and/or fee adjustments of the Utility Companies to the Mayor and City Council for review and comment prior to submission to the ACC.

4. Franchise or Operating/License Agreement and Fees. Global shall pursue in good faith the necessary franchise agreement for the Utility Companies from Pinal County and operating/license agreement with the City for the Subject Territory. For areas annexed into the City, and if required by the City, the City will promptly replace the Pinal County franchise agreement with a franchise agreement issued by the City. Subject to the earlier of (i) entry of a final order (the "ACC Order") by the Arizona Corporation Commission approving the fee provided for herein; or (ii) _____, a fee of 3% of Gross Revenues as it relates to consumptive use of water and wastewater by residential, commercial, and industrial customers within the existing incorporated limits of the City, the Subject Territories and in Utility Companies' Planning Area, subject to conditions set forth in Section 9, shall be paid by Global to the City of Eloy. If the ACC Order has not been entered by _____ following diligent efforts (which the City will in good faith support and take reasonable steps to cause other interested parties to support), then the fee of 3% provided for above shall be reduced to 2% with respect to the consumptive use of water and wastewater residential, commercial and industrial customers located outside the jurisdictional limits of the City but within the Utility Companies' Subject Territory. However, if any property located outside the the City's jurisdictional limits become a part of the City's jurisdictional limit through an annexation, the the fee shall automatically be increased from 2% to 3% for the annexed property on the date the annexation is

effective. In the event the ACC declines to enter the ACC Order, the City will then proceed with a franchise election (at Global's sole cost) seeking approval of the franchise fees provided for in this Section 4 and to grant the Utility Companies a franchise in connection therewith for a term of 25 years. The franchise election shall take place on a date to be set by the City and shall occur no later than the earlier of 18 months following the ACC declining to enter the ACC Order or _____ . Upon the request of Global, the City agrees to continue to cause franchise elections to occur (at Global's cost) on at least an annual basis seeking approval of the franchise provided for herein. All of the foregoing payments shall be made on a quarterly basis. Gross Revenues shall include base fees, consumptive fees, and industrial and commercial reclaimed water sales but shall not include revenues as they arise from hook up fees, service connection fees, termination fees, reconnect or disconnect fees, late fees, NSF fees, account handling fees, or bulk service rate on the sale of construction water. The parties acknowledge that Global will seek the consent of the ACC to allow for inclusion of all fees described within this Section in the monthly consumptive billing of the utilities. The fees provided for in this Section 4 are flow through fees to PCUC and PCWC and are incremental to the rates currently set in place by the ACC; however, if the ACC does not approve these fees to be added to the monthly consumptive billings of the Utility Companies, Global shall pay the fees as an operating expense to City.

5. Financing Options. The City of Eloy and Global shall jointly explore potential financing options for Global to finance its projects within the City. If the City and Global agree to jointly finance a project, the Parties will enter into a separate agreement for each project.

6. Local Office. Global shall maintain a satellite office in downtown Eloy after all applicable regulatory approvals have been obtained. Once customer counts within the Subject Territory necessitate new accommodations, Global may terminate its lease of the satellite office and relocate the same to another facility. If the satellite office is not staffed by Global, an appropriate portion of space within the building will be offered to the Economic Development Group of Eloy (EDGE) and/or City at a lease rate of One Dollar (\$1.00) per year.

7. Conservation Efforts. The City and Global will work together in promoting community and school water conservation programs. Conservation programs may be City-wide and include passing of water and waste water conservation ordinances, distribution of educational materials and access to making presentations at City and school functions.

8. Reclaimed Water and Reclamation Projects. The parties acknowledge the City's interest in long term access to reclaimed water. The City further acknowledges Global's expertise in the field of water reuse in the region and the critical nature of reclaimed water to the Global business and regional conservation plan. Accordingly, Global agrees that the Utility Companies will use reasonable best commercial efforts to use and utilize reclaimed water in the region to the extent permissible under existing and future Arizona Department of Environmental Quality ("ADEQ") policy for all residential, commercial and industrial applications within the Subject Territory of the Utility Companies. The City and the Utility Companies will explore joint water reclamation projects for parks and school playgrounds, and will encourage the development of light commercial and industrial uses of reclaimed water. Additionally, for that water which cannot be beneficially used within the Subject Territory, the Utility Companies, at the Global's sole discretion, will either recharge or reuse that certain volume of water or make that certain volume of water available to the City for recharge or reuse. If financially feasible, as determined in the sole discretion of the City, the City will install dual plumbing in all future City owned buildings or facilities serviced by the Utility Companies such that reclaimed water can be used to flush toilets and serve other non-potablewater demands, per Global's guidelines and State and Federal law. Global shall assist the City with the cost of this dual infrastructure plumbing, and shall provide signage to announce the use of reclaimed water in all public places to assist with conservation and public education efforts.

9. Economic Development. The City and Global will explore possible joint efforts to support industrial and commercial uses in the City. The City and Global will explore co-funding of specific employment generating economic development initiatives and participate on economic development committee(s). Notwithstanding the provisions of Section 4 above Global agrees to augment the City's economic development efforts. To that end, Global shall fund a total of Three Hundred Sixty Nine Thousand Dollars (\$369,000) at a rate of Seventy

Three Thousand Eight Hundred Dollars (\$73,800) per year for a period of five years to the Economic Development Group of Eloy (EDGE) "Economic Contribution".

- a. The installments of the Economic Contribution shall be paid in increments of \$6150.00 per month commencing on the first day of the month following the full execution of this agreement and will continue for a period of 60 months.
- b. For each period of time where the value of the Economic Contribution exceeds the amount of the Franchise Fees established in Section 4 for such period, the amount due from Global for payment of Franchise Fees will be zero dollars (\$0). The value of that period's Franchise Fees shall be credited to the City against repayment of the Economic Contribution ("Credit").
- c. Repayment for the Economic Contribution shall be made through an offset of Franchise Fees and shall commence after 60 months of Economic Contribution ("Repayment"). The value of the Franchise Fees offset will be established so that the Repayment will be made in full within ten (10) years from the termination of the Economic Contribution obligation. The amount of Repayment will be equal to the total value of the Economic Contribution less any Credit as noted in Section 9.b above.
- d. If the Repayment value for a given period exceeds the Franchise Fees due for that same period, the amount due from Global for payment of Franchise Fees will be zero dollars (\$0). The value by which the Repayment exceeds the Franchise Fees will carryover for offset in the next period. "Carryover".
- e. If the Repayment value for a given period plus Carryover exceeds the Franchise Fees due for the applicable period, the amount due from Global for payment of Franchise Fees will be zero dollars (\$0). The value by which the Repayment plus Carryover exceeds the Franchise Fees will carryover for offset in the next period. "Carryover".

An "Example Calculation Sheet" depicting annual payment of Franchise Fees and Economic Contribution and a repayment schedule for the cumulative Economic Contribution is included as Exhibit "B".

10. Land Use Planning and Water/Wastewater Planning. Global shall prepare an annual "Plan for Growth" for the City of Eloy's municipal planning area. The City staff shall provide input and comments on changing land use and density patterns to assist Global in this planning effort. Global shall submit its annual "Plan for Growth" report to the Mayor and City Council by April 1st, unless the Parties agree to a different date.

11. Fee. Effective January 1, 2009 Global shall pay a voluntary fee totaling One Hundred Dollars (\$100.00) for each residential home connecting to the Utility Companies' water and wastewater system within the Subject Territory. The fee will assist the City in defraying administrative costs for water and wastewater services, including regional planning. The fee shall be payable quarterly in arrears and will become due upon the connection of a water meter to an occupied residential dwelling by a homeowner.

12. Community Outreach. The City and Global shall work cooperatively to prepare, cost-share (in-kind services such as web hosting, graphic design, etc. is considered equitable to actual funds), and disseminate a community outreach packet. The community outreach packet will be a collaborative effort by multiple entities within the City, to be distributed to existing and new homeowners. Global will explore commitments to fund and conduct extensive water conservation programs and outreach education programs to promote water conservation in the community, schools, and public facilities. Global will explore co-sponsoring significant water reclamation demonstration projects. Global will support community events with bottled water and a presence at all major municipal, Chamber of Commerce, or EDGE functions and events.

13. Geographic Information System and Information Technology. The City and Global shall work collaboratively in developing and updating the City's Geographical Information System ("GIS"). This may include data sharing and/or integration, cost-sharing on GIS surveying, cost-sharing on a GIS Geodesic Marker, and other GIS related administrative

items. The City and Global will endeavor to share and integrate SCADA systems, CCD Security Data and Vulnerability Preparedness, Emergency, Operations, and Rapid Response Plans, Broadband Wireless network sharing, and Internet Site Linking. The City and Global shall also explore opportunities for collaborative billing services.

14. Annexation. Global shall support all annexation efforts of the City within the Subject Territory. Global shall support the City's efforts to manage and coordinate development in the Utility Companies' Subject Territory. Global will provide water and wastewater modeling services to determine the impact of proposed developments. Global will share and publish long-term master plans with the City and continuously update the plans so that the water and wastewater infrastructure is coordinated with the City's infrastructure plans.

15. Permits. The City will endeavor to streamline and expedite permit issuance, plan review, and related design and construction regulatory issues for Global. The City will endeavor to assist and support Global's efforts to obtain CAAG 208, CC&N, ADEQ, ADWR and other regulatory approvals required within the Subject Territory. If the City cannot provide a prompt review of Global's permits or plans, Global shall have the option of reimbursing the City for any costs incurred by the City if the City, at Global's request, hires an outside consultant to expedite the review of Global's permits and plans. Any such consultants shall report directly to the City and take direction only therefrom.

16. Joint Actions and Conditions. In order to effectuate this MOU, and in addition to the actions otherwise set forth herein which shall in good faith be pursued by the parties hereto, the parties shall undertake (or the parties shall support one another in taking) the following actions in good faith:

- a. ACC approval of PCWC and PCUC's proposed expansion of the CC&N over the Utility Companies' Subject Territory;
- b. Execution and approval of an operating/license agreement with the City for Utility Services provided within the City's current and existing jurisdictional

boundary and for Utility Services provided outside the City's current and existing jurisdictional boundary but within the Utility Companies' Subject Territory;

- c. ACC approval of the operating/license agreement described in Section 4 and Section 16(b) above;
- d. ACC approval of Global's request for inclusion of all fees set forth in Section 4 above in the monthly consumptive billings of the Utility Companies.
- e. If necessary, the franchise election provided for in Section 4 above.

18. Right to Review. As set forth in the recitals to this Agreement, the City acknowledges certain rights of Global to provide water, wastewater and reclaimed water infrastructure services to developments outside the Subject Territory as defined in this agreement. As a result, the City agrees to give Global a first and prior right to review and negotiate with the City (and the City shall in good faith negotiate with Global) on future opportunities to expand the Subject Territory at such time expansion becomes an option as reasonably determined by either the City or Global.

19. Effective Date. Except as otherwise set forth herein, the obligation of the parties pursuant to this MOU shall commence thirty days after approval of said MOU by the Elay City Council.

20. Entire Agreement. This MOU contains the entire agreement between the parties hereto and supersedes all previous communications, representations or agreements, written or verbal, with respect to its subject matter.

21. Construction. This MOU shall be construed in accordance with the laws of the State of Arizona.

22. Modification or Amendment. This MOU may not be modified, amended, rescinded, cancelled or waived, in whole or in part, except by a written instrument signed by the all parties hereto.

23. Jurisdiction, Venue and Attorneys' Fees and Costs. Subject to the provisions of this MOU, the prevailing party in any arbitration, proceeding, lawsuit, appeal or other proceeding brought to enforce or otherwise implement the terms and conditions of this MOU shall be entitled to an award of attorneys' fees and costs from the losing party. Jurisdiction and venue shall be in Pinal County, Arizona, and the parties waive any right to a trial by jury.

24. Mediation/Arbitration. In the event that any dispute arises between the parties to this MOU, the parties first shall attempt to find a neutral person, who is mutually acceptable to both parties, and who has experience in matters such as those provided for in this MOU, and request that person to mediate the dispute. In the event that such mediation is not undertaken or successfully concluded within 45 days after the dispute arises, the parties to any such dispute shall submit the dispute to binding arbitration in accordance with the rules of commercial arbitration ("Rules") for the American Arbitration Association ("AAA"). If the claim in the dispute involves a non-monetary default or breach or does not exceed One Hundred Thousand Dollars (\$100,000), there shall be a single arbitrator selected by mutual agreement of the Parties, and in the absence of agreement, appointed according to the Rules. If the claim in the dispute, exceeds One Hundred Thousand Dollars (\$100,000), the arbitration panel shall consist of three (3) arbitrators, one of whom shall be selected by each party and the third, who shall serve as chairman, shall be selected by the AAA. The arbitrator or arbitrators must be knowledgeable in the subject matter of the dispute. The costs and fees of the arbitrator(s) shall be divided equally among the parties. Any decision of the arbitrator(s) shall be supported by written findings of fact and conclusions of law. The decision of the arbitrator(s) shall be final, subject to the exceptions outlined in the Arizona Uniform Arbitration Act, A.R.S. § 12-1502, *et seq.*, and judgment may be entered upon the same. The arbitrator(s) shall control discovery in the proceedings and shall award the prevailing party its reasonable attorneys' fees and costs. Any arbitration arising from this MOU shall occur within Pinal County, or at any other location mutually agreed to by the Parties.

25. Assignment. The terms and conditions of this MOU shall bind and inure to the benefit of the parties hereto and their successors and assigns and legal representatives. Neither Party shall be allowed to assign this MOU without the express written consent of the other Party.

26. Waiver. Any waiver of any provision of this MOU shall not constitute a waiver of any other provision, whether or not similar, nor shall any waiver be a continuing waiver. A party may waive any provision of this MOU intended for its benefit; provided, however, that such waiver shall in no way excuse the other parties from the performance of any of their other obligations under this MOU.

27. Section Headings. The section headings used herein are for reference only and shall not enter into the interpretation hereof.

28. Relationship of Parties. Nothing contained in this MOU shall be deemed or construed to create the relationship of principal and agent or of limited or general partnership or of joint venture or of any other association between the City and Global.

29. Notices. Any notices given pursuant to this MOU shall be in writing and shall be personally delivered or deposited in the United States mail, certified mail, postage prepaid, return receipt requested, to a party hereunder. Notices shall be deemed given and received when personally delivered or three (3) days after deposit in the United States mail to the address set forth below such party's signature.

30. Time of Essence. Time is of the essence for all purposes of this MOU.

31. Conflict of Interest. This Agreement is subject to the conflict of interest provisions set forth in A.R.S. § 38-511.

32. Limitation of Damages on Taxpayer Initiatives. Global waives its rights (as well as its successors' rights, to the extent permitted by law) to any claim for diminution of value pursuant to A.R.S. Section 12-1134 (Proposition 207).

33. Indemnification.

A. Global agrees to defend, indemnify and hold harmless City, its officers, officials and employees ("Indemnified Group") for liability from and against claims, damages, losses and expenses of any nature whatsoever (including but not limited to reasonable attorney fees, court costs, the costs of appellate proceedings, and all claim adjusting and handling expense), relating to, arising out of, resulting from or alleged to have resulted from Global's negligent acts, errors, mistakes or omissions relating to any action or inaction of the Global under this Agreement, including but not limited to negligent work or services in the performance of this Agreement by any subcontractor or anyone directly or indirectly employed by or contracting with the Global or a subcontractor or anyone for whose acts any of them may be liable. This indemnity provision shall apply solely to the extent that such claim, damage, loss, and/or expense is caused by Global's negligent act or omission. This indemnity provision shall not apply to the extent the claim, damage, loss, and/or expense is caused, in whole or part, by the City and/or any third party unrelated to Global.

B. If any claim, action or proceeding is brought against the Indemnified Group, by reason of any event that is the subject of this Agreement, Global (at its sole cost and expense) shall pay, resist or defend such claim or action on behalf of the Indemnified Group by the attorney of Global, or if covered by insurance, Global's insurer, all of which must be approved by City, which approval shall not be unreasonably withheld or delayed. The City shall cooperate with all reasonable efforts in the handling and defense of such claim. Notwithstanding the foregoing, the City may at its own expense engage its own attorney to defend or assist in its defense.

C. Any settlement of claims must fully release and discharge the Indemnified Group from any liability for such claims. The release and discharge shall be in writing and shall

be subject to approval by the City, which approval shall not be unreasonably withheld or delayed.

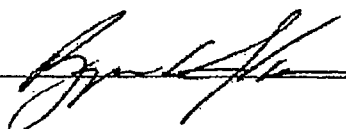
D. If Global neglects or refuses to defend any of the Indemnified Group as required by this Agreement, any recovery or judgment against the Indemnified Group for a claim covered by this Agreement shall conclusively establish Global's liability to the Indemnified Group in connection with such recovery or judgment. If the City desires to settle such dispute, the City shall, following written notice to Global and Global having an opportunity to participate, be entitled to settle such dispute in good faith and Global shall be liable for the amount of such settlement, and all expenses in connection with such settlement.

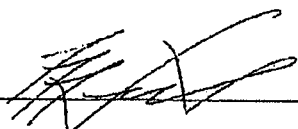
34. Exercise of Authority. It is understood and agreed that neither Global nor its affiliates or related entities shall in any way exercise any portion of the authority or sovereign powers of the City and shall not make or contract or commit or in any way represent itself as an agent for the City. Nothing in this Agreement be construed to create a principal agency relationship between the parties.

IN WITNESS WHEREOF, each of the parties has executed this MOU as of the date first above written.

CITY OF ELOY

GLOBAL WATER RESOURCES, LLC

By: 

By: 

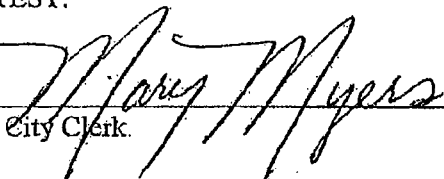
Title: MAYOR

Title: PRESIDENT & CEO

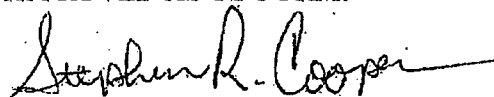
Address: 628 N. Main Street
Eloy, AZ 85231

Address: 21410 N 19TH AVE SUITE 201
PHOENIX, ARIZONA, 85027

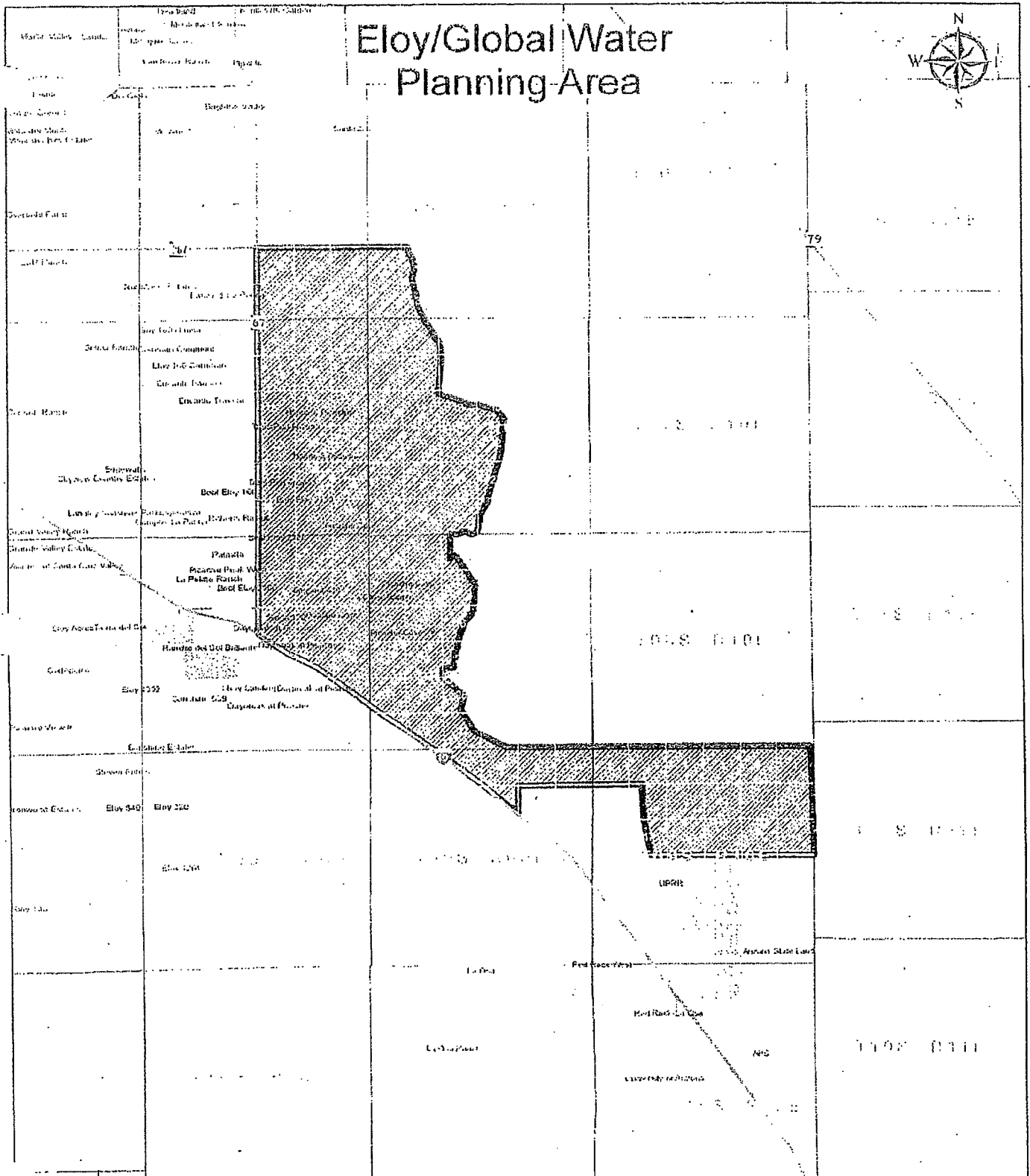
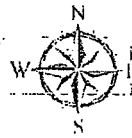
ATTEST:

By: 
City Clerk

APPROVED AS TO FORM:


City Attorney

Eloy/Global Water Planning Area



0 1 2 4 Miles



Planning Area



GLOBAL WATER
RELIABLE • RENEWABLE • REUSABLE

Exhibit "B"

Global Water City of Eloy Economic Contribution Example Calculation Sheet - Values Listed are Examples Only

Year	Economic Contribution (1)	Estimated Franchise Fees (2)	Credit	Amount To Be Repaid	Cumulative Amount To Be Repaid	Repayment	Adjusted Franchise Fee Payment (3)
1 2008	\$	\$	\$	\$	\$	\$	\$
2 2009	\$ 73,800	\$ 871	(871)	72,929	72,929	-	-
3 2010	\$ 73,800	2,527	(2,527)	71,273	144,202	-	-
4 2011	\$ 73,800	4,075	(4,075)	69,725	213,927	-	-
5 2012	\$ 73,800	11,040	(11,040)	62,760	276,686	-	-
6 2013	\$ 73,800	24,414	(24,414)	49,386	326,072	-	-
7 2014	\$	39,860	-	-	326,072	(32,607)	7,253
8 2015	\$	58,562	-	-	293,465	(32,607)	25,954
9 2016	\$	81,533	-	-	260,858	(32,607)	48,926
10 2017	\$	112,308	-	-	228,250	(32,607)	79,701
11 2018	\$	153,932	-	-	195,643	(32,607)	121,325
12 2019	\$	203,996	-	-	163,036	(32,607)	171,388
13 2020	\$	260,329	-	-	130,429	(32,607)	227,722
14 2021	\$	322,157	-	-	97,822	(32,607)	289,550
15 2022	\$	388,759	-	-	65,214	(32,607)	356,152
16 2023	\$	459,464	-	-	32,607	(32,607)	426,856
17 2024	\$	533,649	-	-	-	-	533,649
18 2025	\$	610,740	-	-	-	-	610,740
19 2026	\$	690,200	-	-	-	-	690,200
20 2027	\$	717,731	-	-	-	-	717,731
TOTAL	\$ 369,000	\$ 4,676,147	(42,928)	\$ 326,072		\$ (326,072)	\$ 4,307,147

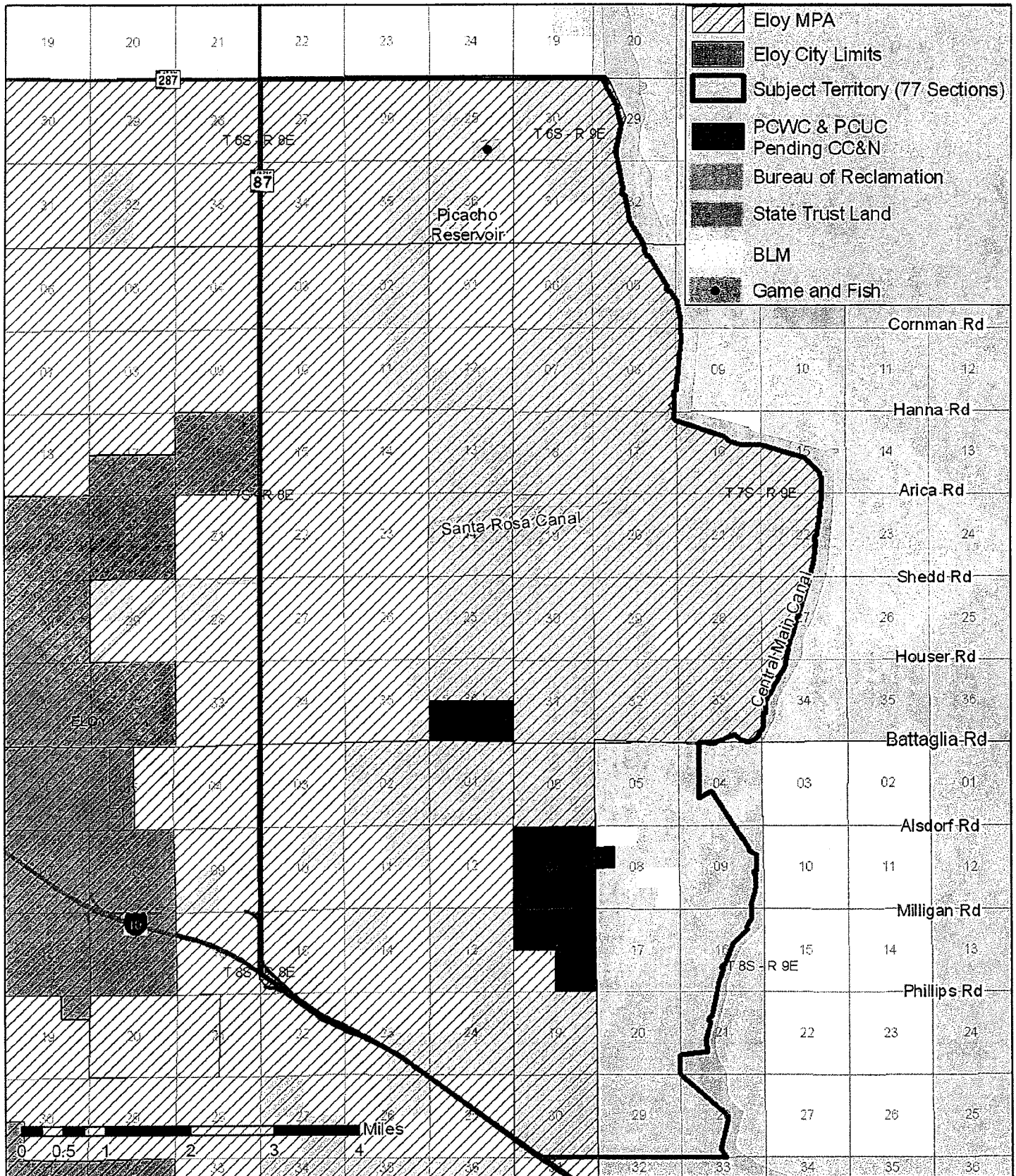
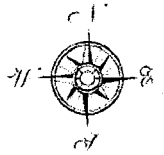
(1) Payable to Economic Development Group of Eloy (EDGE)

(2) Based on Absorption Estimates (Example Only)

(3) Payable to the City of Eloy

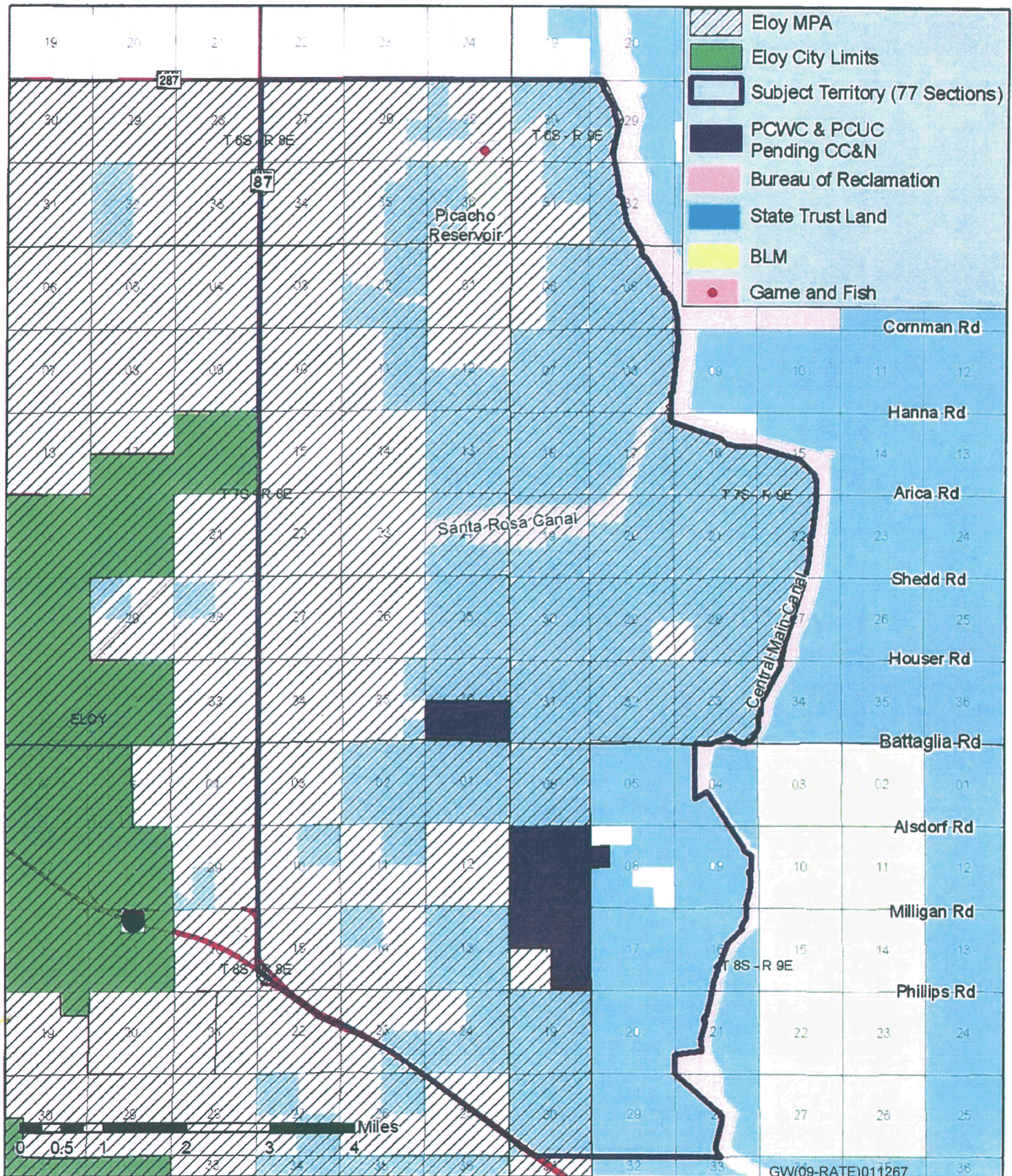
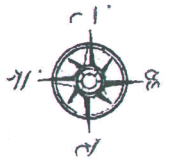


Public Private Partnership Eloy and Global Water - Subject Territory



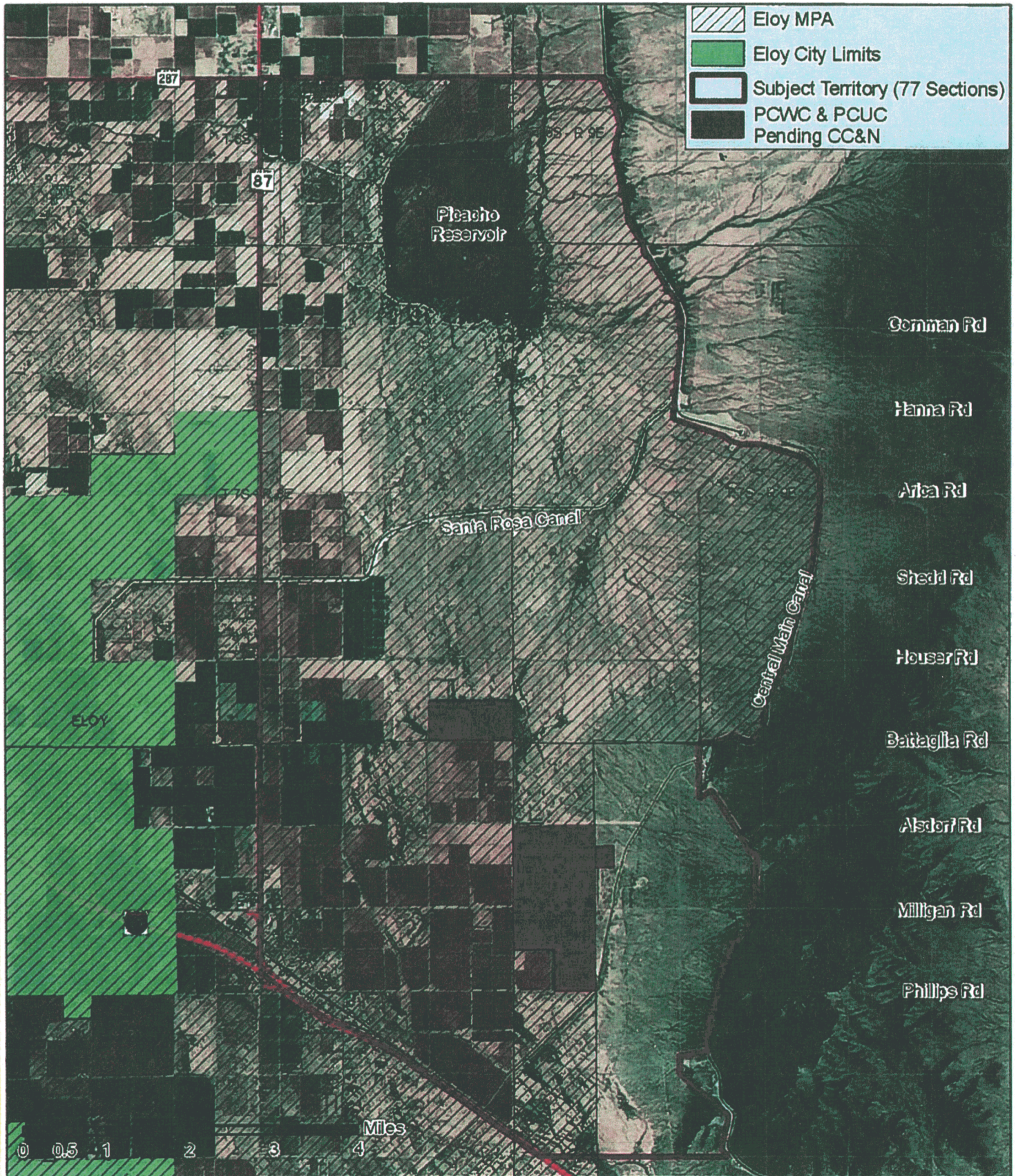
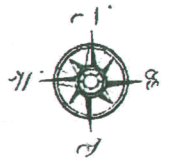


Public Private Partnership Eloy and Global Water - Subject Territory





Public Private Partnership Eloy and Global Water - Subject Territory




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NEWS DETAIL

GLOBAL WATER SIGNS HISTORIC AGREEMENTS WITH THE CITIES OF MARICOPA AND CASA GRANDE

PHOENIX, December 20, 2005 - Global Water Resources, LLC ("Global Water") announced today that it has entered into regional infrastructure partnership agreements with the Cities of Maricopa and Casa Grande. These Memoranda of Understanding ("MOUs") demonstrate an unprecedented public-private-partnership ("P3") in the State between Cities and a private utility company. Under the P3 initiatives, the Cities and Global Water enter a new era of regional water resource planning and management. The MOUs provide for a state-of-the-art regional water, wastewater and water reclamation master plan which will reduce groundwater usage through the widespread use of reclaimed water, reduce the area's reliance on groundwater through the introduction of surface water treatment, and provide for long term aquifer recharge in the basin. These agreements also provide the Cities with long term revenue streams to help manage growth and the provision of essential services to thousands of new residents. The City Councils of Maricopa and Casa Grande voted to embrace the P3 concept for the provision of infrastructure during their December Council Meetings. Maricopa's City Manager, Rick Buss said that "It is exceedingly important to stress that the overarching premise behind the creation of this agreement is to create a situation which best serves the current and future citizens of the City of Maricopa." Trevor Hill, President of Global Water, said that "these are cutting-edge partnerships in which the environment, the residents, and the parties all benefit, now and in the future. Western Pinal County will lead Arizona into the next century of water management and resource planning." Under the relationship, Global Water will continue to invest in its fully integrated water resource model for the region, and has already committed \$50 million to its 2006 regional capital budget. Among other projects, Global will commence construction on two new Class A+ regional water reclamation facilities and two new surface water treatment plants. Wastewater will continue to be treated to the highest standards approved by the Arizona Department of Environmental Quality for reuse which allows it to be used in place of groundwater on a spectrum of industrial, commercial and irrigation uses. "The idea behind the Global Water business model is simple, explained Mr. Hill, "we believe that water is a precious commodity" and as such it needs to be used as wisely as possible. This means that the long term resource conservation required tomorrow must be built into an integrated water and wastewater plan today. We must anticipate a declining availability of the resource and govern ourselves accordingly." "It makes more sense to use reclaimed water for irrigating golf courses than it does to use ground water for these types of uses," explained Jim Thompson, Manager of the City of Casa Grande. "And it certainly makes more sense to use surface water more as it becomes available. In the Desert Southwest, there is enough water for all of us, as long as we become smarter about how we use it. Global Water is a recognized leader in water reclamation and reuse." Global Water Resources, LLC is a locally owned and operated aggregator of water and wastewater utilities. The company serves more than 25,000 people in Arizona. Global Water is committed to investing in and improving the regulated water and wastewater companies it owns and operates, and to the conservation and preservation of Arizona's precious water resources. For more information, contact: Paul Walker Husk Partners Public Relations Firm for; Global Water Resources Inc. 602-307-5080

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I



PRESS RELEASE
For Immediate Release

**GLOBAL WATER AND ELOY ENTER GROWTH AND ECONOMIC DEVELOPMENT
PARTNERSHIP**

PHOENIX, September 2, 2008 - Global Water Resources, LLC ("Global Water") announced today that it has entered into a Memorandum of Understanding ("MOU") with the City of Eloy (the "City") for the provision of water, wastewater and recycled water infrastructure for the eastern portion of Eloy's planning area. This Public Private Partnership ("P3") agreement represents the continuation of enhanced cooperation between a municipality and a private utility company providing maximum coordination and conservation of water resources. Arizona's growth and its recent 13-year drought strain long-term water supplies, and Global Water has now entered into five accords with cities, towns, and Native American tribes to manage those issues in joint and cooperative ways.

The City Council of Eloy voted unanimously on Monday, August 25th for Global Water to provide service to the eastern portion of Eloy's planning area in a region of anticipated industrial, commercial and residential growth.

"In these slower economic times, partnerships for the provision of essential infrastructure can assist a community's economic development plans," stated Trevor Hill, President & CEO, Global Water. "Being able to show prospective commercial and industrial developers that we are open for business from an infrastructure perspective in Eloy is critical."

"The idea behind the Global Water business model is simple," explained Mr. Hill, "we believe that water is a precious commodity and as such it needs to be used as wisely as possible. This means that the long term resource conservation required tomorrow must be built into an integrated water and wastewater plan today. We must anticipate a declining availability of the resource and govern ourselves accordingly."

Under the P3 initiative, the City and Global Water enter a new era of regional water resource planning and management. The partnership provides for state-of-the-art regional water, wastewater and water reclamation master plans which will reduce groundwater usage through the widespread use of recycled water and provide for long term aquifer recharge in the basin. These agreements also provide the City with long term revenue streams to help support economic development and manage the anticipated future growth in the region.

"We are very pleased to have entered into a partnership with Global Water" said Byron Jackson, Mayor of Eloy. "Water resource management is of vital importance to the region and we have found that Global Water shares our interest in the long term conservation and preservation of the water resources that are critical to the current and future citizens. We hope this is the start of a meaningful and productive partnership."

Global Water owns and operates 16 water and wastewater utilities in the state of Arizona serving more than 60,000 people. The company is committed to managing future water scarcity in the arid southwest by investing in and improving the regulated water and wastewater companies it owns and to conserving Arizona's precious water resources through water recycling.

For more information, contact:
Paul Walker
Public Relations for
Global Water Resources
602-703-4205



www.gwresources.com

COMMISSIONERS
MIKE GLEASON - Chairman
WILLIAM A. MUNDALL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE



BRIAN C. MCNEIL
Executive Director
LINDA FISHER
Director, Corporations Division

ARIZONA CORPORATION COMMISSION

December 20, 2007

STEPHEN R COOPER
PO BOX 15005
CASA GRANDE, AZ 85230-5005

RE: ECONOMIC DEVELOPMENT GROUP OF ELOY, INC.
File Number: 14161722

We are pleased to notify you that your Articles of Incorporation HAVE BEEN APPROVED for the entity referenced above.

You must publish the Articles of Incorporation in their entirety. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona as filed with the Commission, for three (3) consecutive publications. A list of acceptable newspapers in each county is attached and is available on the Commission web site. Please make sure the newspaper publishes the corporation documents using the exact name filed with the Commission. Publication must be completed WITHIN SIXTY (60) DAYS and an affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from December 20, 2007, which is the date the document was processed and approved for filing by the Commission.

Most corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Should the report fail to arrive approximately two months prior to the due date, contact the Commission. Corporations must notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

Periodically check Commission records regarding your corporation at www.azcc.gov/corp. If you have questions or need further information, please contact us at (602) 542-3026 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,
Sandy Raabig
Examiner, Corporations Division

CF:04
REV. 11/2006

COUNTY OF PINAL

SS.

PUBLIC NOTICE

ARTICLES OF INCORPORATION
OF
ECONOMIC DEVELOPMENT
GROUP OF ELOY, INC.
1416172-2
ARTICLE I
NAME

The name of this Corporation shall
be Economic Development Group of
Eloy, Inc.

ARTICLE II PURPOSE

This Corporation is organized exclu-
sively for charitable, scientific and edu-
cational purposes, more specifically to
improve and promote the economy of
Eloy; to diversify and stabilize the eco-
nomic base; to develop new job oppor-
tunities for the citizens; all to be accom-
plished in a manner consistent with
sustained, prudent and reasonable
growth. To this end, the Corporation
shall at all times be operated exclusively
for charitable purposes within the
meaning of Section 501(c)(3) of the
Internal Revenue Code of 1986, as
now enacted or hereafter amended,
including, for such purposes, the mak-
ing of distributions to organizations that
qualify as exempt organizations under
Section 501(c)(3) of the Internal
Revenue Code of 1986, as now enacted
or hereafter amended. All funds,
whether income or principal, and
whether acquired by gift or contribution
or otherwise, shall be devoted to said
purposes.

ARTICLE III

EXEMPTION REQUIREMENTS

At all times shall the following opera-
tions as conditions restricting the opera-
tions and activities of the Corporation:

1. The Corporation shall not afford
pecuniary gain, incidentally or other-
wise to its members. No part of the net
earnings of this Corporation shall inure
to the benefit of any member of the
Corporation, except that reasonable
compensation may be paid for services
rendered to or for the Corporation
affecting one or more of its purposes.
Such net earnings, if any, of this
Corporation shall be used to carry out
the nonprofit corporate purposes set
forth in Article II above.

2. No substantial part of the activi-
ties of the Corporation shall constitute
the carrying on of propaganda or other-
wise attempting to influence legislation,
or any initiative or referendum before
the public, and the Corporation shall
not participate in, or intervene in
(including by publication or distribution
of statements), any political campaign
on behalf of, or in opposition to, any
candidate for public office.

3. Notwithstanding any other provi-
sion of these articles, the Corporation
shall not carry on any other activities
not permitted to be carried on by a
Corporation exempt from federal
income tax under Section 501(c)(3) of
the Internal Revenue Code of 1986, as
now enacted or hereafter amended.

4. The power of indemnification
under the Arizona Revised Statutes
shall not be denied or limited by the
bylaws.

ARTICLE IV

DURATION

The duration of the corporate exis-
tence shall be perpetual.

ARTICLE V

MEMBERSHIP/BOARD OF DIRECTORS

The Corporation shall have one or
more classes of members, as provided
in the Corporation's By-Laws. The
management of the affairs of the
Corporation shall be vested in a Board
of Directors, as defined in the
Corporation's bylaws. No Director shall
have any right, title, or interest in or to
any property of the Corporation.

The number of Directors constitut-
ing the first Board of Directors is seven

PUBLIC NOTICE

John C. Gluch, 4945 West
Commanche Drive, Eloy AZ 85231
Gene Wilson, 4120 East Pinto
Drive, Eloy AZ 85231
Belinda Akes, 305 Stuart Boulevard,
Eloy AZ 85231

Marie Lorona, 801 North Main
Street, Eloy AZ 85231
Court Rich, 6613 North Scottsdale
Road, Suite 200, Scottsdale AZ 85250
Ty Leseur, 3850 East Baseline
Road, Suite 114, Mesa AZ 85206
Loren H. Locher, 7776 S. Pointe
Parkway West, Suite 185, Phoenix AZ
85044

The number of persons to serve on
the Board of Directors thereafter shall
be fixed by the By-Laws.

Members of the first Board of
Directors shall serve until the first
annual meeting, at which their succes-
sors are duly elected and qualified, or
removed as provided in the By-Laws.

ARTICLE VI

KNOWN PLACE OF BUSINESS

The street address of the known
place of business of the Corporation is
628 North Main Street, Eloy, Arizona.

ARTICLE VII

PERSONAL LIABILITY

No (member) officer or Director of
this Corporation shall be personally
liable for the debts or obligations of this
Corporation of any nature whatsoever,
nor shall any of the property of the
(members) officer, or Directors be sub-
ject to the payment of the debts or obli-
gations of this Corporation.

ARTICLE VIII

DISSOLUTION

Upon the dissolution of the corpora-
tion, the Board of Directors shall, after
paying or making provision for the pay-
ment of all of the liabilities of the corpo-
ration, dispose of all its assets exclu-
sively for the purposes of the corpora-
tion in such a manner, or to such
organizations organized and operated
exclusively for charitable, educational,
religious or scientific purpose as shall
at the time qualify as an exempt orga-
nization or organizations under Section
170(c)(1) or (2) of the Internal Revenue
Code of 1986 (or the corresponding
provision of any future United States
Internal Revenue Laws) as the Board
of Directors shall determine. Any such
assets not disposed of shall be dis-
posed of by the Superior Court of the
county in which the principal office of
the corporation is then located, exclu-
sively for such purpose or to such
organization or organizations, as said
Court shall determine, which are
organized and operated exclusively for
such purpose.

ARTICLE IX

STATUTORY AGENT

The name and address of the statu-
tory agent of the Corporation is:
Stephen R. Cooper, 221 North
Florence Street, P.O. Box 15005 Casa
Grande, Arizona 85230-5005.

ARTICLE X

INCORPORATOR

The name and address of the incor-
porator is: Stephen R. Cooper, 221
North Florence Street, P.O. Box 15005
Casa Grande, Arizona 85230-5005.

Executed this 21st day of August,
2007 by all of the incorporators.
Signed: /s/Stephen R. Cooper
Stephen R. Cooper
Stephen R. Cooper
PHONE 520.836.8265 FAX 421.0916

Acceptance of Appointment
by Statutory Agent

The undersigned hereby acknowl-
edges and accepts the appointment as
statutory agent of the above-named
Corporation effective this 21st day of
August, 2007.

Signed /s/Stephen R. Cooper
Stephen R. Cooper
No. of publications: 3; dates of publica-

DONOVAN M. KRAMER SR.

first be:
deposes and says: That he is a native born citizen of the U
America, over 21 years of age, that he is publisher of the E
a weekly newspaper published at Eloy, Pinal County, Arizor
of each week; that a notice, a full, true and complete printer
is herunto attached, was printed in the regular edition of
and not in a supplement thereto, for THREE consec
first publication thereof having been on the 10TH

day of JANUARY A.

Second publication JANUARY 17,

Third publication JANUARY 24,

Fourth publication _____

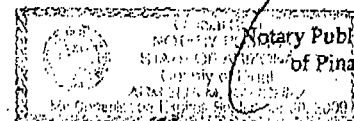
Fifth publication _____

Sixth publication _____

THE ELOY ENTERPRISE

By Donovan M. Kramer Sr.
DONOVAN M. KRAMER SR., Publisher

Sworn to before me this 4th
day of February A.D. 2007
Carmelita J. Dand



Notary Public in and for
the State of Arizona
of Pinal, State of Ar

AZ CORPORATION COMMISSION
FILEDARTICLES OF INCORPORATION OF
ECONOMIC DEVELOPMENT GROUP OF ELOY, INC.

DEC 18 2007

FILE NO. 1416172-2ARTICLE I
NAME

The name of this Corporation shall be Economic Development Group of Eloy, Inc.

ARTICLE II
PURPOSE

This Corporation is organized exclusively for charitable, scientific and educational purposes, more specifically to improve and promote the economy of Eloy; to diversify and stabilize the economic base; to develop new job opportunities for the citizens; all to be accomplished in a manner consistent with sustained, prudent and reasonable growth. To this end, the Corporation shall at all times be operated exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended. All funds, whether income or principal, and whether acquired by gift or contribution or otherwise, shall be devoted to said purposes.

ARTICLE III
EXEMPTION REQUIREMENTS

At all times shall the following operate as conditions restricting the operations and activities of the Corporation:

1. The Corporation shall not afford pecuniary gain, incidentally or otherwise to its members. No part of the net earnings of this Corporation shall inure to the benefit of any member of the Corporation, except that reasonable compensation may be paid for services rendered to or for the Corporation affecting one or more of its purposes. Such net earnings, if any, of this Corporation shall be used to carry out the nonprofit corporate purposes set forth in Article II above.

2. No substantial part of the activities of the Corporation shall constitute the carrying on of propaganda or otherwise attempting to influence legislation, or any initiative or referendum before the public, and the Corporation shall not participate in, or intervene in (including by publication or distribution of statements), any political campaign on behalf of, or in opposition to, any candidate for public office.

3. Notwithstanding any other provision of these articles, the Corporation shall not carry on any other activities not permitted to be carried on by a Corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as now enacted or hereafter amended.

4. The power of indemnification under the Arizona Revised Statutes shall not be denied or limited by the bylaws.

ARTICLE IV DURATION

The duration of the corporate existence shall be perpetual.

ARTICLE V MEMBERSHIP/BOARD OF DIRECTORS

The Corporation shall have one or more classes of members, as provided in the Corporation's By-Laws. The management of the affairs of the Corporation shall be vested in a Board of Directors, as defined in the Corporation's bylaws. No Director shall have any right, title, or interest in or to any property of the Corporation.

The number of Directors constituting the first Board of Directors is seven (7), their names and addresses being as follows:

John C. Gluch
4945 West Commanche Drive
Eloy AZ 85231

Gene Wilson
4120 East Pinto Drive
Eloy AZ 85231

Belinda Akes
305 Stuart Boulevard
Eloy AZ 85231

Marie Lorona
801 North Main Street
Eloy AZ 85231

Court Rich
6613 North Scottsdale Road
Suite 200
Scottsdale AZ 85250

Ty Leseur
3850 East Baseline Road
Suite 114
Mesa AZ 85206

Loren H. Locher
7776 S. Pointe Parkway West
Suite 185
Phoenix AZ 85044

The number of persons to serve on the Board of Directors thereafter shall be fixed by the By-Laws.

Members of the first Board of Directors shall serve until the first annual meeting, at which their successors are duly elected and qualified, or removed as provided in the By-Laws.

ARTICLE VI KNOWN PLACE OF BUSINESS

The street address of the known place of business of the Corporation is 628 North Main Street, Eloy, Arizona.

ARTICLE VII PERSONAL LIABILITY

No (member) officer or Director of this Corporation shall be personally liable for the debts or obligations of this Corporation of any nature whatsoever, nor shall any of the property of the (members) officer, or Directors be subject to the payment of the debts or obligations of this Corporation.

ARTICLE VIII DISSOLUTION

Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the corporation, dispose of all its assets exclusively for the purposes of the corporation in such a manner, or to such organizations organized and operated exclusively for charitable, educational, religious or scientific purpose as shall at the time qualify as an exempt organization or organizations under Section 170(c)(1) or (2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Laws) as the Board of Directors shall determine. Any such assets not disposed of shall be disposed of by the Superior Court of the county in which the principal office of the corporation is then located, exclusively for such purpose or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purpose.

**ARTICLE IX
STATUTORY AGENT**

The name and address of the statutory agent of the Corporation is: Stephen R. Cooper, 221 North Florence Street, P.O. Box 15005 Casa Grande, Arizona 85230-5005.

**ARTICLE X
INCORPORATOR**

The name and address of the incorporator is: Stephen R. Cooper, 221 North Florence Street, P.O. Box 15005 Casa Grande, Arizona 85230-5005.

Executed this 21st day of August, 2007 by all of the incorporators.

Signed:

Stephen R. Cooper
Stephen R. Cooper

Stephen R. Cooper
Print Name Here

PHONE 520 836 8265

FAX 421-0916

Acceptance of Appointment by Statutory Agent

The undersigned hereby acknowledges and accepts the appointment as statutory agent of the above-named Corporation effective this 21st day of August, 2007.

Signed

Stephen R. Cooper
Stephen R. Cooper

Stephen R. Cooper
Print Name Here

**Economic Development Group of Eloy
By-Laws**

Article I – Declaration

Section 1 – Name

The name of this organization shall be the Economic Development Group of Eloy – hereinafter referred to as "EDGE".

Section 2 – Purpose

The EDGE is a non-stock and non-profit development corporation. The purposes of the EDGE are as set forth in its Articles of Incorporation and also include the following:

- A. To oversee the implementation of various economic development strategies such as business retention, business expansion, business and jobs development and pursuit of funding opportunities to achieve these goals, and
- B. To provide leadership, structure, support and technical assistance for economic development efforts citywide.

Section 3 – Location/Area

The EDGE will receive correspondence at 628 North Main Street, Eloy, AZ 85231 and will house corporation information at the City Hall, Eloy, Arizona. The area served by the corporation shall include all of the municipal planning area of the City of Eloy surrounding area that impact the City.

Section 4 - Powers

The government of EDGE, the direction of its work and the control of its property shall be vested in the Board of Directors. The Board of Directors shall be authorized to adopt such rules and regulations as may be deemed advisable for the government of the Board, the proper conduct of the business of the EDGE and the guidance of all committees, officers and employees. The Board of Directors shall be empowered to do whatever in its judgment may be calculated to increase efficiency and add to the usefulness of EDGE; and to carry out the main purpose of this association provided such action is not in conflict with these by-laws.

Section 5 – Limitations

The EDGE shall be non-partisan and non-sectarian in its activities.

Article II – Membership

Section 1: Members

The members shall be individuals, shall be fairly representative of the community in which the Corporation operates shall include on a best efforts basis representation from the following four (4) groups located within the Corporation's boundaries: government, landowner representatives, community representatives and business organizations. The Corporation shall not be dissolved nor shall the validity of any act of the Corporation or its members be in any way affected in the event of vacancies in the membership. The membership of any member shall terminate as provided in Section 4 of this Article III.

Section 2: Membership

Any person, association, corporation, partnership, estate, or unit of local government that is in agreement with the purpose of EDGE shall be eligible to apply for active membership. Each applicant for active membership, except municipal government, shall sign a subscription pledging a sum per year to EDGE as required on a Schedule of Membership Fees to be established annually by the Board of Directors. Such membership may be evidenced by a certificate upon such form as may be prescribed by the Directors. Only members whose annual subscription obligation is current shall be eligible to vote.

Section 3: Special Membership

The Board may create special memberships and qualifications for the same from time to time.

Section 4: Termination of Membership

Any member may terminate his/her membership at any time by notice in writing to the Board of Directors or the President. Unless otherwise specified in such notice, such resignation shall take effect upon receipt thereof by the Board or the President. The unexcused absence of a member from two consecutive annual meetings of members may be deemed to constitute his/her resignation as a member, effective upon acceptance by the Board. The membership of any member may be terminated at any time, for cause and with notice, by a majority of all members, acting at a meeting; such termination to be effective from the date of the meeting, unless otherwise provided.

Section 5: Power of Voting Rights

Each member shall be entitled to cast one vote for election of directors of the Corporation. Members shall have no other voting rights and there shall be no cumulative voting rights.

Article III – Membership Meetings

Membership meetings will be determined as provided by the Board of Directors as membership classes and members are established.

Article IV – Board of Directors

Section 1: General Powers

The property business and affairs of the Corporation shall be managed by the Board of Directors. The Board of Directors shall have full power to act on behalf of the Corporation as permitted by the statutes of the State of Arizona, the Articles of Incorporation and these By-Laws, as may be amended from time to time.

Section 2: Size and Composition

The number of Directors shall be seven (7) but the number thereof may be increased or decreased by amendment of these By-Laws. Directors shall be members of the Corporation and generally represent the four (4) groups established in Section 1 of Article II of these By-Laws.

Section 3 – Meetings

Regular meetings of the Board of Directors shall be held at an agreed upon time and place. Such meetings may be conducted by any means deemed acceptable by the Board

of Directors so long as the medium utilized is reasonably available to all members of the Board of Directors. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings.

Section 4: Election of Directors

Election of the Board will take place at the first meeting of the membership. The Directors elected will be divided into three groups. The term of the Directors included in the first group (3 in number) will be three years; the term of the second group (2 in number) will be two years, and the term of the third group (2 in number) will be one year. Thereafter the terms of all Directors will be three years.

At the annual meeting of the membership, the Executive Committee shall present to the membership a slate of candidates for those Directors' positions whose terms are expiring. Nominations may also be made from the floor. The membership shall then select from those nominated to serve terms of three years. At the expiration of any term, any Director may be reelected.

Section 5 – Terms

All Board members shall serve three-year terms, but are eligible for re-election. The first Board will include members with one, two and three year terms to begin staggered terms. At the expiration of any term, any Director may be reelected.

Section 6- Quorum

A majority of the Board of Directors of EDGE shall constitute a quorum at any meeting of such members and be capable of transacting any business thereof.

Section 7 – Notice of Meetings

Notice of each regular, special or annual meeting of members shall be printed or written. The original of such notice shall be signed by the President or Secretary/Treasurer of the Corporation and, unless otherwise required by law, a copy thereof shall be delivered to each member personally or by first class mail no less than ten (10) nor more than fifty (50) days before the meeting. If mailed, such notice shall be directed to each such member at his/her address as it appears on the books or records of the Corporation. Such notice shall state the time and place of the meeting, and, if the meeting be special, briefly, the purposes thereof. Unless otherwise provided by law, no notice of the time, place or purpose of any meeting need be given to any member who shall attend such meeting in person or proxy, or to any member who, in writing executed and filed with the records of the Corporation, either before or after the holding of such meeting, shall waive such notice. No notice need be given of any adjourned meeting.

Section 8: Annual Membership Meeting

The annual membership meeting of EDGE will be held at such time and place as may be determined by the Board of Directors.

Section 9 – Officers and Duties

The Board of Directors at their annual meeting shall elect from their number by majority vote, President, Vice-President, Secretary/Treasurer. The officers shall be elected annually. The same person shall hold no two offices simultaneously. Their duties are as follows:

The President shall preside at all meetings of the EDGE Board of Directors and the Executive Committee. The President shall be in charge of EDGE affairs, performs all duties incident to the office and advise such action as may be deemed likely to increase the usefulness and prosperity of EDGE. These duties may be delegated to other members at the President's discretion.

The Vice President shall perform the duties of the President in his/her absence and perform such other duties as may be delegated to him/her by the President or the Board of Directors.

The Secretary/Treasurer shall see that (a) the minutes of the meeting of EDGE are kept in the books provided for that purpose; (b) all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) a custodian is appointed to keep the EDGE records; (d) all duties incident to the office of the Secretary are performed (e) that all monies of EDGE are deposited in its name and shall supervise the books of EDGE and (f) shall make reports to the Board of Directors at frequent intervals.

Section 10 – Resignations, Termination and Absences

Resignation from the Board must be in writing and received by the Secretary. A Board member shall be dropped for excess absences from the Board if he or she has three unexcused absences from Board meetings in a year.

Section 11 – Special Meetings

Special meetings of the Board of Directors may be held whenever called by the President or upon written request of one-third of the directors then in office.

Section 12 – Rules of Order

Generally, *Roberts' Rules of Order* will be the parliamentary procedures to be used to conduct meetings of the Board of Directors.

Section 13: Staff

The Corporation as specified and directed by the Board of Directors, may hire and make available professional staff as needed for carrying out the purposes of this Corporation.

Article V – Committees

Section 1 – Committees

The Board of Directors shall determine such committees as it deems necessary and the president with the consent of the Board shall select members to serve on such committees.

Section 2: Executive Committee

The President, Vice-President, Secretary/Treasurer, and immediate past-president of EDGE will constitute the membership of the Executive Committee. It may act on behalf of EDGE in any matter not prohibited by Arizona law, except for the power to amend the Articles of Incorporation and the By-Laws, the Executive Committee shall have all of the powers and authority of the Board of Directors in the intervals between meetings of the Board of Directors, subject to the direction and control of the Board of Directors. A majority will constitute a quorum for the transaction of business. Meetings may be called by

the President or by any two members of the Executive Committee.

Article VI – Finances

Section 1 - Fiscal year

The fiscal year of EDGE shall begin July 1 and run through June 30 of the same year.

Section 2 – Disbursements

All disbursements will be made by check with Executive Committee approval.

Section 3 - Audits

An audit will be conducted every year as determined by the Board of Directors of EDGE. All audits shall be conducted by an independent and non-affiliated entity.

Section 4 – Financial Reports

The Treasurer will prepare an annual financial report and such other financial reports as requested by the Board of Directors.

Section 5 - Contracts

The Board of Directors shall approve contracts.

Article VII - Dissolution of the Corporation

The majority of the Board of Directors of EDGE may dissolve this entity by resolution. The resolution shall provide that all members be given at least 30 days notice by first class mail at their last known address. Deposit of a postage paid first class mailing addressed to each member's last known address shall be proof of notice. The resolution shall include a proposed distribution of all assets remaining after satisfaction of all liabilities. Distribution shall be made only to non-stock, non profit entities with similar purposes to EDGE. Any member may seek reconsideration by the Board of the dissolution by filing a written objection not less than 15 days prior to the date set for dissolution by the Board. The Board shall meet to consider all timely objections. Unless the Board votes to overturn the resolution to dissolve the original resolution shall become effective in accord with its terms.

Article VIII – Conflicts of Interest

Whenever a director or officer has a financial or personal interest in any matter coming before the board of directors, the affected person shall a) fully disclose the nature of the interest and b) withdraw from discussion, lobbying, and voting on the matter. Any transaction or vote involving a potential conflict of interest shall be approved only when a majority of disinterested directors determine that it is in the best interest of the corporation to do so. The minutes of meetings at which such votes are taken shall record such disclosure, abstention and rationale for approval.

Article IX – Amendments

Any of these By-Laws may be amended, altered, repealed, or added to, and new By-Laws may be made, by the affirmative vote of a two-thirds majority of the Board of Directors given at any meeting of the Board of Directors and for which a 30-day notice of said meeting had been provided.

Article X – Indemnification

To the full extent permitted by law, the Corporation shall indemnify and reimburse each person made or threatened to be made a party to any action, suite or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he, or proceeding, whether civil, is or was a Director or Officer of the Corporation or served any other Corporation of any type or kind, domestic or foreign, in any capacity at the request of the Corporation, against liabilities or legal expenses arising out of acts performed for or on behalf of or at the request of the Corporation to such extent and in such matter, permitted by law, as the Board or Directors may at time or from time to time determine.

It is hereby certified that these By-Laws were unanimously adopted by the Board of Directors of the Corporation at a duly called meeting held on this the ____ day of _____, 200__.

Secretary/Treasurer